

EPISODE 37**Spending and Budgeting: Aligning Your Values and Goals To Your Finances**

[INTRODUCTION]

[0:00:05.3] Benjamin Felix: This is the Rational Reminder podcast, a weekly reality check on sensible investing and financial decision making for Canadians. We are hosted by me, Benjamin Felix and Cameron Passmore. Welcome to episode 35 of the rational reminder podcast.

[0:00:20.8] Cameron Passmore: Yeah, what a great guest we had today.

[0:00:22.8] BF: Yeah, today we had Lindsay Plumb join us for a podcast. Lindsey is a fee only advisor, money coach might be a better term for it, out in Victoria, BC. The story of how I found Lindsey is actually kind of funny. I'm part of this Globe and Mail, well actually, I deactivated my Facebook account so I'm not part of any Facebook groups at the moment. When my Facebook was active. I was part of the Globe and Mail Gen Y Money Facebook group because I write the Globe and Mail Gen Y Money column and one day, Lindsey commented on I don't know if she saw something that I had written or whatever.

She posted her comment, basically saying, "You guys should come join my Facebook group, it's got way more members than this and it's hilarious." She tried to poach members from the group. I went and checked her Facebook group out and it's true, she has like 6,000 people in there.

[0:01:10.1] CP: Wow, really.

[0:01:11.8] BF: The amount of the volume of conversation is insane, it's got a ton of active members, anyway, it's a neat little group, that's how I found Lindsey and she – we wanted to have somebody on to talk about spending and budgeting because that's kind of the opposite end of the spectrum of what we talk about. We usually assume people already have wealth but that's not always the case.

Even if you do, spending and budgeting is super important.

[0:01:35.0] CP: That's what I found the biggest takeaway for me was this applies to everyone. Just getting in line with your values and what you spend money on, that affect everybody, no matter how much assets you might have.

[0:01:45.5] BF: Yeah, that's where their message comes down to. You've got to have with your spouse and also with yourself, you have to have an understanding and alignment of what your values are and what your goals are and that should inform your financial decisions. That's basically the message.

[0:01:58.9] CP: Absolutely, she was terrific, have a good listen.

[0:02:01.6] BF: yeah, she's a good guest, all right.

[INTERVIEW]

[0:02:09.0] BF: Lindsey, welcome to the Rational Reminder Podcast, thanks a lot for joining us.

[0:02:12.5] Lindsay Plumb: thanks for having me, this is going to be fun.

[0:02:14.6] BF: before we jump into the questions, can you just give us a little bit of your background and what you do within your business?

[0:02:20.3] LP: Yeah, absolutely. I would love to. My background, I started as a licensed advisor back in 2008 and found myself really being drawn to working with middle income families, busy moms and through that process, got to see really clearly the challenges that were stopping people from even realizing that there's a world of investing to tap in to and to learn.

I really like I say, I found myself leaning that way and then in 2015, I started an independent financial planning firm with my husband. I also started a Facebook group and now have taken that to be an online coaching community for women.

Yeah, I spend all my time working with busy moms and breaking down the day to day stuff that isn't often addressed in financial planning conversations because they're very different skillsets.

[0:03:16.3] BF: Yeah, I agree. I'll be the first one to admit that budgeting is really hard and personally not great at it. I usually end up working backwards by saving the amount that I know I want to save and just kind of figuring out the budgeting and the spending on the back end, which can sometimes be a little bit stressful. Why is budgeting so hard?

[0:03:35.3] LP: that's such a great question. I think budgeting is so hard because quite honestly, most people aren't doing it. What I would say liked. They're writing some numbers down on paper and calling it a budget. There's a lot of background work that I do with my clients to figure out where the leaks in the bucket are, you know? Where is their money actually going?

How much is going into these different areas and why are we going to go through this process in the first place, you know? Things like identifying your goals and more importantly, identifying our values and it's very difficult for people to stay on budget if they haven't done those things.

Like I say, I think that people just are not taking the time to do that work when they're creating a budget. We don't get taught how to create a budget and a lot of people feel like budgeting is really restrictive and not fun at all. I think that those things combined really cause people to not be good at budgeting and have a really hard time with that.

[0:04:43.3] CP: That is so interesting. You're getting people to discover their values, therefore enabling them to articulate their goals, which I assume then must change people's relationship with their money, is that a safe statement?

[0:04:56.8] LP: Absolutely. When we realized that as you know, as parents for example, that we really want to provide great experience for our kids and that by doing that doesn't mean that buying them every toy they want, buying them every – you know, the new backpack and the new video game that they want, that those actions are in a lot of cases, completely misalign with our true values. It's a lot easier to say no to those purchases next time when we identify what we really want.

[0:05:28.5] CP: Yeah, that is really interesting. Now, I've tried budgeting apps like Mint, YNAB, my bank has a budgeting app now and again, I don't find them to be particularly useful because it's still hard to follow and stick with. What I want to ask is, what does work in terms of actually using a tool that's going to allow you to stick to a budget?

[0:05:48.9] LP: Yeah, there's a lot of tools nowadays, I just found a new one that does it all through Facebook messenger. I mean, we're getting pretty high tech with this stuff these days. If we are expecting or any of these tools to do it for us, then we're probably not going to be successful.

If we're expecting to use an app that tracks our spending but not necessarily plans it before it happens, then we're probably not going to find success with anything more than tracking and spending. Yeah, there's a lot of different programs and I don't necessarily believe in one or the other, you know? I have some clients who love pen and paper.

I love a good excel spreadsheet. I think that it's one of the simplest forms of budgeting tools that are out there right now and yeah, just finding the one that works for you. I mean, it's great when it connects to your bank account. However, there's only so many times you can handle reconnecting your bank account because the connection has been lost somewhere along the lines before you throw the baby over the bath water.

Getting really clear on what features you're looking for, do you want it to connect to your spouse, do you want to connect to your bank account. You know, is this a tool meant for tracking or is it a tool meant for budgeting? You know, back to your first question Ben.

Another reason why people are having a really hard time with budgeting is because they don't understand the difference between tracking and budgeting. One's forecasting, right? One's one direction and one's the other direction.

[0:07:26.7] BF: Yeah, it's interesting, that's a good answer to the question. But it's easy to say you know, find an app that works for you but is that really the real root of the problem that people often face. It strikes me there are really a ton of a motivation. Someone has to be really motivated to make a change, correct?

[0:07:40.7] LP: Agreed. Yeah, it's absolutely not about the app. I mean, for my clients and my course community, I give them a budget in three different forms, I have a web site, I have a fillable PDF and I have an excel spreadsheet and I also go and review different apps with them to help them find something that works for them. But first, we have to figure out, What is a

budget, where are our values and quite often, that's happening through conversation, through pen and paper, through excel.

It's a simple form before taking on something else. In my experience anyways.

[0:08:18.0] BF: yeah, I know, it makes logical sense though. Now, assuming someone has figured out what their values are and they have put together a budget, what is the one category if there is one that you most commonly see people blowing up their budget with?

[0:08:32.4] LP: Food. Hands down, I tell people all the time, you're eating your goals. It's always food.

[0:08:39.2] BF: Like dining out?

[0:08:40.7] LP: All of that. Grocery stores, it's really hard to pop into the grocery store for cream. You spend 50 bucks, I don't know what happens, something just magical happens in those places and one of the things that I have my students do is visualizing the marketing executives sitting around the boardroom table.

You know, putting their hands together like what's his name from the Simpsons?

[0:09:03.1] BF: Mr. Berns.

[0:09:04.1] CP: Mr. Berns, yes.

[0:09:06.3] LP: That is what they're doing to get their hand in your pocket, that is what the captain of the isles are doing, they're catching your attention and that's why it's almost impossible to just go in and get your \$3 cream and without spending, you know, 20, 30, 40, \$50. Yeah, food, the take out, the eating out, the Costco. I love a good Costco shop but hard to get out of there for less than three, four, \$500. In all senses of it, it's absolutely food is the biggest killer to our budgets.

[0:09:41.2] BF: How do you coach people to fix that? Just ignore the ends of the aisles? How do you change that behavior?

[0:09:47.4] LP: I mean, the simplest thing that people can do, especially for working professionals whose time is sometimes even more valuable than the money. Don't go into that store more than once a week. Take half an hour, write down the list and either do an online order or go into the store, get your list and don't go back because you can't afford the time quite honestly, it's how it's going these days.

That will save people hundreds of dollars a month. You know, we quite often, it's somewhere between 200, up to a thousand dollars. I just did, I just worked with the client last night and just through this tiny little technique of being a little bit more mindful, more mindful, sorry. And planning a little bit more, their food budget overall, grocery, eating out and booze went down \$1,200.

[0:10:36.6] BF: I believe it, I love going to the grocery store and it's always expensive, I get it. That makes a lot of sense. Other than spending or curtailing spending on food, what's the highest impact spending fix that you can think of, other than food?

[0:10:52.5] LP: Other than food, well, on the topic of food, doing an online order is absolutely by far the best because it keeps you out of the store but quite honestly, it's 2019, people love to shop and we have things all over the place just wanting our money, that's why I like to think of the marketing executives.

Staying out of the malls, staying out of the stores, if you work anywhere near a mall, if you work down town it is so important to stay away. That is by far, I mean, it's so simple and that goes along also with some of the other things that I mention like getting really clear on what your values are but we are not very good at controlling our impulses nowadays. We've kind of started to lose that ability and if those impulses, you know, those purchases are easy for you, and you don't have impulse control.

Then you're going to make all sorts of purchases that are not aligned with your goals and spend money on the shoes that just went on sale. Instead of that family vacation or whatever the case may be.

[0:12:02.0] BF: It's so true. All the companies that are selling stuff are so good at selling us stuff so it is, not only are we bad at avoiding impulse spending, the companies are good at forcing us to do impulse spending.

[0:12:15.2] LP: Absolutely, it's online now too, right? Hide the ads on your Facebook newsfeed, unsubscribe from the mailing lists. Take your credit card out of your browser history so you can't make those – find a way to make it more difficult to make purchasing decisions.

[0:12:32.7] CP: Imagine, it's hard for us, can you imagine for our children. How do you advise your clients to coach their kids to modify their behavior?

[0:12:41.4] LP: Yeah, I talk to my clients a lot about how to deal with kids and money. I really want kids to know that money is a tool and that it's in abundance and just because it might not feel or maybe there just is not very much money right now, it has nothing to do with what's possible. I'm coaching parents a lot on their language with their kids.

It's not that you can't afford something, it's absolutely not that you can't afford something, it's that we're using our money for something else. Getting our kids to realize that we are planning with our money because they don't see it, right? They just see the card come out and quite honestly, for a lot of people, you know, if the machine says approved, then they call that affordable or it's budgeted for.

Yeah, the kids are not getting the skills because of that and so having those conversations, if we're not going to do that right now because of this, we're doing this tomorrow, we're doing this next month and really careful that it's not about we can't afford it, but that we are absolutely saying no to them.

[0:13:53.9] CP: You're teaching them about choices.

[0:13:55.1] BF: That's really smart, I like that a lot. That's something that I'll start using with my own kids I haven't thought about. Just having that conversation about we're not going to do this because just did this or because we're going to do this, I really like that.

Now, again, on the topic of kids allowance, are you fan of allowance or not, if you do like it, how do you recommend implementing it.

[0:14:13.6] LP: Yeah, it's a great divide on that topic. You know, some people believe that family money is family money and we should you know, be allowed to use it just because we're in the family and other families feel that the kids really need to earn it and I think it really depends on your family and your kid's personalities.

If you don't have a child that is motivated by money. I mean, mine is not at all, it doesn't work that well. However, if he wants something, my kid plays baseball, he's seven years old and he loves back catcher, that position. However, at seven, you don't have positions yet, you still play everything.

But he wants back catcher gear so badly that I can use that as a motivator if I want him to do his chores but I can't toss him five bucks. Five bucks is not going to do it but \$5 towards that back catcher's gear will get him off the couch and into action. It's important to know what's important for kids, for anybody that's read Five Love Languages.

Speaking in somebody else's language goes the same way with money and so I don't think that you know, allowance is good or bad. However, I do really feel like kids should have an opportunity to participate in the family economy, one way or another and it's important to know where their motivation lies.

One thing that we did, we just got back from vacation and we were down in Mexico and our kids got 50 pesos a day each. 50 pesos a day right now is about three and a half dollars. But it feels like a lot to them, right? 50, wow, that's a big number.

We didn't put restrictions on what they can use it for, they could use it for whatever they wanted, they could save it up, they can buy candy from the kid on the corner, whatever they wanted to do with that money and so giving them opportunities that they don't get at home because I can't give them 50 bucks a day and you can't buy anything for \$3.50 here. So really allowing them to participate when the opportunities are available.

[0:16:21.6] BF: I have a question for you regarding couples. So we have a lot of couples that have come to us and they say like, “How should we do our banking? Should we keep separate bank accounts? We’d merge our accounts? We’re married” we’re not married, we’re common law, where the situation might be. So my first question is, do you have basic advice on that and secondly, if you have a couple where the income levels are a lot different between the two people, how do manage that fairly and what are your thoughts?

[0:16:48.9] LP: Yeah, it is different than it used to be right? So in terms of how to do bank accounts and whether or not they should be joint is of course going to be hugely dependent on your personalities and your relationship and backgrounds and comfort levels. However, I know that it is a lot easier to manage something when we have it all in the same place. So for managing household finances it is a lot easier for it to be in the same place.

Now that doesn’t necessarily mean that it needs to be in the same bank account. So if you want to have separate bank accounts maybe they need to be using Quicken or an Excel spreadsheet to keep track of things and for some couples, that keeping track would feel extremely nitpicking and really feeling like they are being nickel and dimed and it would feel like the opposite of equality and for other couples that’s hugely important based on where they’re at in their careers and what they are coming into this relationship with.

So I think that in terms of joint bank accounts and whatnot, you’ve got to do what works for you but the planning and the organization has to be done together. Unless you have figured out how to run your household and you need to do your own grocery shopping and you need to do your own laundry and you need to do your own cooking, then why do you need to do your own finances? You’ve created your life together and if you make chili together, you both have to be in the kitchen and talking about the ingredients.

So that is the most important thing is making sure that there is planning that both people are involved in and when it’s all roses and everything is on all one bank account, still the planning needs to be there and I need to know how much I can afford to spend without raising any concerns or screwing up the plan. So if that is going to be 500 bucks a month, I want to be able to spend that 500 bucks a month on whatever I want. I don’t care if you don’t think if I should spend it on a pedicure.

I am going to spend it on a pedicure and if you want to go and buy a drone, you can buy a drone. You might not agree with me, I might not agree with you but that's my prerogative and I will make that choice. It can be really – especially for new relationships where people are coming in either with lots of student loan debt or already in high paying careers, it can be a hard one to navigate and not hard. It just takes conversation and time just like all those other bank topics that need to be discussed.

When there is the discrepancy, again, it really depends on the relationship. I mean if one partner is out earning 10 fold, the other partner but maybe the lower income partner is at home with kids to say, "This is my money." Well then who's kids are they? Are they her kids because the money is his or vice-versa? It doesn't work like that when you are creating a life together. So getting really clear on how is this going to work. So for some people, we're going to do all of the money into one bank account.

For some people it is going to be two bank accounts and an Excel spreadsheet but more than anything, it needs to work for both parties. The higher income earner. It really does not work for them to hoard the money or for them to have full control that will rear its ugly head somewhere down the line in the relationship. So yeah, a long winded answer to not really give you an answer. It is so dependent but communication and planning is the one thing is a must.

[0:20:28.0] BF: Your comment about having sort of a family budget and then a discretionary amount for each partner in a relationship that's just by our own problem solving and discussions. That is what my wife and I, my wife is at home with kids right now but we ended up doing exactly that where we have our family budget to achieve our family goals and then we each allocate an amount where either of us can spend that on whatever we want each month.

[0:20:50.6] LP: Yeah, I call it your lifestyle spending and for those, I even have my clients have their own accounts. I don't want somebody noticing that I went out for lunch today when they log into their bank account and asking me why I decided to spend a 100 bucks at lunch. You know I got the 100 bucks and I will go spend it and that's where people can feel really restricted around budgeting and quite often I think it is because we have budgeted down to the very last dollar and there is no freedom and that is not very fun and so we need to have some freedom if we expect it to work.

[0:21:28.1] BF: So I've got a question from a bit of a different angle and I don't know how often you see this but it is something that we see every now and then. When somebody has sudden wealth, like we have been talking about budgeting and saving and all of that kind of stuff, if somebody has an inheritance or they win the lottery I guess in an extreme case but they suddenly have wealth, do you have any thoughts on how that can affect someone's relationship with money and the best ways to approach that?

[0:21:51.8] LP: What a great question. I mean we know the stats of when people win the lottery, what happens in the next one, two, three years. So what I will often tell people, you know these things are very rarely overnight sensations. An inheritance, either we have a family member who is falling ill or aging and we know something might be coming at some point or we're dealing with the estate and probate and all of that good stuff.

When you win the lottery, you don't get the money that day or an insurance payout. When we have a car accident, it's months before the money comes. So I am often talking to people about if they're in those situations, we need to plan for the money before it is in our hands and for most people, they don't need the money for their day to day stuff unless it is an insurance payout because they can't go to work but for most people, it doesn't need to be absorbed into day to day spending.

They are going to keep doing their life the same way they did their life before on a month to month basis. They might vacation more, they might going to do car and house, they might retire earlier but I really encourage people to not – it is the same as not going to the mall. Don't give yourself the opportunity for it to affect your relationship with money because for most people, their finances, I mean you guys know dealing on the investment side.

Talking to people about investment goals, most people don't have as much invested as they would like. Most people don't have their mortgages paid off. So if you have a win fall of some sort, those are generally the areas that I see the best results of using those lump sums and have it not affect your day to day. Unless it's like I said, insurance or something that you need it to replace your income.

[0:23:44.7] BF: So it is like achieving financial goals that you already had and not materially changing lifestyle.

[0:23:49.9] LP: Yeah, I mean you are going from point A to point B and you are driving a Mazda. Now you are driving a Ferrari but the golden change and we don't need to change the roots even. We're still going to go from point A to point B, which is why it is important to have a plan. Both a budget for day to day as well as a financial plan for long term and understand where your values lie because it is really easy to just start spending when the money is there.

And that also goes for people who are getting raises, promotions, new jobs, a mom or dad that's taken mat leave or parental leave and their income is lower and now they are going back to work and they are having those influx again. You know making sure that the plan is in place first so that we know what path to lock down to reach our destination.

[0:24:40.8] CP: I'm curious how your advice changes to someone who might be retired. Let us think of someone who may have more than enough assets in retirement. Do you help them realize like philanthropic goals they might have or legacy goals for their family?

[0:24:55.2] LP: That is a great topic because it is one that a lot of people don't think about until they're there and you know I often find myself sounding like a broken record but again, back to the goals and values. You know, how are we spending our money and what is important to us. What is important to one person who maybe retired as a chef and made huge headways in the cuisine world and whatnot, they would probably want to dine at different restaurants that I want to dine out.

And they worked their whole life hard and put in their time, so why shouldn't they be allowed to go and spend the money there? One person would call that frivolous but if that's where they spent their life and the area they contributed to that's really where they're going to get their fulfillment and probably have a happier and therefore a longer healthier life. So the values is such an important part and I quite often will ask people, retirees with healthy incomes.

With healthy retirement accounts, investment accounts whatever that may be to look at their values. Nine times out of 10 it has to do with family if they have family and look at ways that they can better their life because it is expensive nowadays to buy a house and raise kids and where could they help their kids and grandkids without just signing a check because again, that

goes back to the whole win-fall thing, right? So the values is such an important piece that I find when people are creating their own budget, they're almost never talking about.

And when they are sitting down with a financial planner, they are also not very often talking about because there is so many other pieces that have to be talked about in that room that can't be talked about elsewhere. So I think it's a piece that a lot of people are really missing and you know, I mean look at what's her name? Marie Kondo and the craze about de-cluttering right now. It's because all of that stuff in your house it wasn't aligned with your values in the first place.

[0:27:08.1] BF: Yeah that's an interesting point.

[0:27:09.6] CP: There you go, you are exactly right.

[0:27:10.7] BF: What do you think about somebody in the opposite situation? So instead of somebody that's got enough assets to retire and enough income to retire, what if somebody – maybe they do have a high income but they are 50, 55 years old and they've got nothing saved. Do you have any experience with helping people on a situation like that?

[0:27:26.4] LP: Yes. Now let me just have a think here. Quite often, I mean if somebody is in that position there, you know their habits and ways are so engrained that it is a much bigger shift than say a young family right? That is just learning how they want to create their lives together and again, looking at the values quite often their conversation will be, "Well, if we don't make these changes, what's going to happen?" So I will have my clients choose a this or that statement.

I can have this or I can have that. I can keep spending less money right now or I can retire at 65 because unless something changes in terms of the amount of the number of dollars available, it really is that choice, I can have this or I can have that. When we put it that way to ourselves, it's a lot easier to say no to stuff that we might otherwise be spending on.

When we're looking at a shorter runway, you know, somebody in their 50s who really needs to buckle down and start saving and investing for those retirement years, you get the whole way

through. It's this or that. I can go out for dinner now or I can retire and not be in a government funded facility.

[0:28:41.9] BF: Right.

[0:28:42.1] LP: You know?

[0:28:42.9] BF: Kind of just a reality check to say like, this is not going to end well unless you change something.

[0:28:46.9] LP: yeah. We need to give ourselves those reality checks because the Ostrich effect and just putting our head in the sand and pretending that retirement's not coming. Pretending that it doesn't cost several thousands of dollars just to put a basic roof over our heads, it's the easy thing to do but it's not the right thing to do if we want our goals to happen.

[0:29:10.8] CP: Great answer. Thanks for that. We ask all of our guest this last question and like all of our guest, you are clearly on a mission to help people so we're really curious to know, how do you define success in your life?

[0:29:25.9] LP: in my life or for my clients?

[0:29:27.6] BF: In your own life.

[0:29:28.5] CP: In your life.

[0:29:29.2] LP: My own life.

[0:29:30.0] CP: Yeah.

[0:29:30.7] LP: You know, when I feel the most successful is when I get a Facebook message, telling me that somebody took one of my programs or is using one of my templates or has been following me on Facebook and took some of my advice and that it made a difference for them, you know?

Some days, I'm so lucky, so blessed to wake up to those messages saying that template changed my life and so that's when I feel successful.

[0:30:01.5] BF: It's actually super interesting because for Cameron and I, the stuff that we do and the things that we help people with, it has an important long term outcome on their lives but the stuff that you're doing, it has like an immediate profound impact, totally different, that type of fulfillment that you're talking about, we don't necessarily get that from clients because what we do, it's over 50 years that they'll see the outcome.

[0:30:22.2] LP: Yes, exactly. That's how I define it to people that you know, planners, advisors, portfolio managers, it's all a long runway. A big picture plan with lots of pieces involved that can get fairly technical. My job is to help with the day to day stuff.

Like you say, we can have such a profound difference just by doing an online grocery store shop instead of going in.

[0:30:50.1] BF: Yeah. That's interesting. All right. Well, Lindsey, this has been fantastic, we really appreciate you taking the time to be in the podcast.

[0:30:55.9] LP: I loved being here.

[0:30:57.2] CP: It's a treat to meet you, thanks for joining us.

[0:30:59.3] LP: Thanks so much for having me.

[END]

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