# The Total Money Makeover
## WORKBOOK

A Proven Plan for Financial Fitness

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# The Total Money Makeover Challenge

## Key Concept #1

### *No Money . . . Is No Fun*

I remember the feelings vividly. For several years in my twenties, I faced the end of every month with dread. I had too much month left at the end of my money. I was not having fun.

I wasn't afraid of hard work and sacrifice. I didn't need a secret formula for making money. I didn't need a positive-thinking guru to pump me up and tell me to have a positive attitude. I was simply sick and tired of being sick and tired when it came time to "do the bills." I felt hopeless, as if I were running a financial race with no traction and no ground covered. Money came in and money went out, with nothing *real* to show for my effort or income.

## What About You?

Do you feel as if you have full control over your money . . . or are your bills controlling you? The amount of control you have over financial matters is often reflected in how you *feel* about money matters in general.

The same thing is true, of course, when it comes to any area of your life in which a "makeover" might be needed.

If you are in very bad health—or your physician tells you that certain numbers in your lab reports and exams are "abnormal"—you may become highly motivated to undertake a new exercise, diet, or better-health plan. If your spouse tells you the end of your marriage is on the horizon, you may become highly motivated to seek out a counselor to help you revamp the way you relate to your spouse and to improve your marriage. There's a feeling that hits the pit of your stomach when you finally wake up and say to yourself, "Something's got to change! I can't continue to live this way . . . the fact is, to continue this way isn't really *living*. It's just existing, enduring, putting in the time and the miles and hoping I end up somewhere I like."

Before you are truly willing to embark on a Total Money Makeover, you need to face up to how you feel about your current financial situation. That will tell you how motivated you are to do something about changing your financial situation.

Plain and simple, if you like your current financial situation, you probably feel pretty good about money matters, and you don't need a makeover.

On the other hand, if you *don't* like your current financial situation, you probably feel pretty lousy about your finances. A makeover is for you!

## Exercise #1

### *How Do You Feel About Money?*

I challenge you to take the Ten Situations Test below.

Respond to each of the statements quickly and instinctively with a simple "I like to talk about this" or "I don't like to discuss this."

*LIKE to Talk:* The "LIKE to Talk" category includes responses such as "I enjoy getting new ideas about this" and "I don't have anything to hide on this subject."

"LIKE to Talk" should reflect an enthusiasm—not a reluctance—for talking, and a willingness to be open, honest, and candid. Finally, the "LIKE to Talk" category should not reflect just an "I've got a pat answer already prepared" attitude, but rather an "I think this is a good opportunity for a candid sharing of ideas and opinions" attitude.

*HATE to Talk:* Included in the "HATE to Talk" category are responses such as "I wouldn't be caught dead discussing this" and "I'd do just about anything to avoid a serious conversation about this." "HATE to Talk" should be checked if you feel reluctance, awkwardness, or dread.

| LIKE to Talk | HATE to Talk | |
|---|---|---|
| ❑ | ❑ | 1. Someone asks, "How are you doing financially?" |
| ❑ | ❑ | 2. Your spouse wants to discuss this month's budget. |
| ❑ | ❑ | 3. Your tax accountant calls and says, "Let's meet." |
| ❑ | ❑ | 4. Your pastor wants to have lunch with you (and you know he wants to discuss the possibility of your making a specific contribution). |
| ❑ | ❑ | 5. Your child asks you to cosign a loan (or a credit card application). |
| ❑ | ❑ | 6. The money manager in your family says, "I have some concerns about a few credit card charges." |
| ❑ | ❑ | 7. A friend says, "What do you invest your money in?" |
| ❑ | ❑ | 8. A supplier or vendor asks, "Do you want this automatically deducted from your bank account each month?" |
| ❑ | ❑ | 9. A loan officer says, "Tell me about your financial situation." |
| ❑ | ❑ | 10. A parent asks, "Did you ever pay off that debt you had?" |

Most thin, fit people I know enjoy telling those who ask about their exercise routine, the diet plan that helped them shed the pounds, and other health matters. Plus, if they encounter health problems, they are quick to see the doctor or read health articles about their symptoms.

In the same vein, I've seen that those who have children who are excelling, or who have marriages that are loving, usually enjoy talking about their family relationships.

And . . . those who are financially fit usually enjoy talking about money matters and sharing their insights into money management.

Take another look at the way you responded to the situations listed above. Overall, how do you rate your willingness to face and discuss your financial situations?

Circle one of the two responses below . . . and then cross through the statement that does NOT reflect the way you feel:

**Response #1:** Overall, I am WILLING and EAGER to discuss financial matters openly and candidly.

**Response #2:** Overall, I am NOT WILLING and NOT EAGER to discuss financial matters openly and candidly.

## Exercise #2

*Scared or Smiling?*

How do you feel—gut-level, first response—about each of the eleven money matters below, on a scale of 1 to 4 (1 being "Scared" and 4 being "Smiling All the Way")?

| (1) | (2) | (3) | (4) |
|---|---|---|---|
| **Scared** | **A Little Worried** | **Under Control** | **Smiling All the Way** |

1. Paying this month's utility bills: ______
2. Making the current car payment: ______

3. Paying next month's mortgage: ______
4. Funding retirement: ______
5. Paying for the kids' college: ______
6. Paying back a loan: ______
7. Paying the minimum on this month's credit card bills: ______
8. Paying off all this month's credit card bills in full: ______
9. Ability to handle an emergency expense: ______
10. Prepared to pay for a child's wedding: ______
11. Taking a nice family vacation this year: ______

The truth of the matter is . . .

If you feel SCARED or fearful about any of these money matters, you likely are *not* in control of your finances—they are running your life, and perhaps even ruining your life!

If you feel A LITTLE WORRIED, you also are *not* in control of your finances—you very likely just aren't admitting how scared or fearful you are that things could spin out of control at any moment. Those who are A LITTLE WORRIED are only "a little confident" that things are going in the right direction.

If you feel UNDER CONTROL, you may very well be in control . . . or you may be in a state of denial about your finances. I have encountered numerous people who just say, "No problem" because that's the way they want their lives to be, when in truth, anybody looking objectively at their situation would shout out loud, "Man, you've got a *problem*!" *Control* is a term we sometimes use to talk ourselves into believing that things are going to turn out all right and that a negative situation is manageable—similar to how riding a bucking bronco is manageable if you manage to stay in the saddle.

SMILING ALL THE WAY should be interpreted as "smiling all the way to the bank and back"! If you checked "SMILING" for most of these statements, it's likely you don't need a *Total* Money Makeover. But . . . you may need money makeover tips for those specific areas in which you answered anything other than SMILING ALL THE WAY.

## Key Concept #2

### *If You Don't Know How Money Works . . . What Future Is There in Working for Money?*

When I was in my late twenties, my wife and I went broke. We lost everything due to my stupidity in handling money, or not handling it. We hit bottom hard and lost everything. It was then that I began a serious quest to learn how money works. I came to realize:

1. *It's up to me.* My money problems, worries, and shortages largely began and ended in my mirror—nobody "made" me poor or a bad money manager. I had to take full responsibility for my own stupidity.
2. *God's and Grandma's way of handling money works.* Wealth building isn't rocket science. The principles are simple, time-proven, and effective. In a nutshell, "spend less and invest more" is a five-word financial strategy that every person over the age of five can comprehend!
3. *Winning at money is 80 percent behavior and 20 percent head knowledge.* It's not enough to know good financial principles—it's *acting* on those principles that's important.

## What About You?

One of the first things a fitness adviser will ask a person is this: What are you looking to achieve? To answer this question, the adviser might suggest that you stand in front of a mirror to take a long, hard look at yourself or to reflect on what workout strategies you've done in the past. Do you *like* the place where you are physically? If not, are you willing to own up to the fact that you are the person who is in charge of your body and your health?

Are you willing to own up to the fact that the three basic principles of fitness aren't all that difficult to comprehend? Eat less, eat the right foods, and exercise more are concepts even a child can understand.

Are you willing to own up to the fact that it doesn't matter how much you know about diet plans, good nutrition, or exercise *unless* you are willing to put what you know into high gear? You won't get fit unless you actually eat right, eat less, and exercise more.

These are givens in achieving physical fitness.

The same is true for financial fitness.

## Exercise #3

*Whose Fault Is It?*

Check true or false for each of the statements below.

| TRUE | FALSE | |
|---|---|---|
| ❑ | ❑ | 1. My money problems AREN'T my fault. |
| ❑ | ❑ | 2. My money problems are only PARTLY my fault. |
| ❑ | ❑ | 3. My money problems are MY fault. |

If you checked TRUE for statement number one or number two above, you need a reality check. The truth is, your money problems are *your* fault.

"But," you may say, "it *isn't* solely my fault." Let's explore that. Whom do you blame for your money problems?

Check any of the following that you believe apply . . . and then tell why.

| | My Money Problems Are the Fault of . . . | My Part in This Was . . . |
|---|---|---|
| My spouse | ❑ | ____________________ |
| My parents | ❑ | ____________________ |
| My children | ❑ | ____________________ |

| | My Money Problems Are the Fault of . . . | My Part in This Was . . . |
|---|---|---|
| My "bad luck" | ❑ | ____________ |
| Interest rates | ❑ | ____________ |
| My employer | ❑ | ____________ |
| The government | ❑ | ____________ |
| My bank | ❑ | ____________ |
| My financial adviser | ❑ | ____________ |
| My personality type | ❑ | ____________ |
| A bad loan | ❑ | ____________ |
| My stockbroker | ❑ | ____________ |
| The stock market | ❑ | ____________ |
| Other: | ❑ | ____________ |

Why did *you* allow that person to give you money problems? Your "bad loan" was a loan *you* took out or *you* issued to another person. Right? Your spouse's overspending occurred because *you* agreed to let overspending go unchecked. Right? For any items above that you checked, be honest in completing the following:

| | My Money Problems Are the Fault of . . . | My Part in This Was . . . |
|---|---|---|
| My spouse | ❑ | ____________ |
| My parents | ❑ | ____________ |
| My children | ❑ | ____________ |
| My "bad luck" | ❑ | ____________ |
| Interest rates | ❑ | ____________ |
| My employer | ❑ | ____________ |
| The government | ❑ | ____________ |
| My bank | ❑ | ____________ |

| | My Money Problems Are the Fault of . . . | My Part in This Was . . . |
|---|---|---|
| My financial adviser | ❑ | ______________________ |
| My personality type | ❑ | ______________________ |
| A bad loan | ❑ | ______________________ |
| My stockbroker | ❑ | ______________________ |
| The stock market | ❑ | ______________________ |
| Other: | ❑ | ______________________ |

Why am I being so tough with you on this point? Two reasons:

**Reason #1:** Until you take responsibility for your money situation, you aren't going to do anything to change because you don't think you *can* do anything. You'll wait for the "other party" to take responsibility, or you'll wait for your luck, stockbroker, or personality to change!

**Reason #2:** The way you *allowed* another person or entity to impact your financial situation very often gives good clues about what you need to "undo" as you seek to become financially fit.

Think for a moment about physical fitness. If you are blaming too much ice cream and Mexican food for your excess weight, there are clues in your laying blame! You have a weakness when it comes to ice cream and Mexican food. The solution for your problem? Well, in part it's this: don't bring ice cream home from the supermarket, and don't go out to eat at Mexican restaurants!

At the same time, own up to the fact that *you* are the one who turns your car into the ice cream parlor's parking lot, and *you* are the one who is quick to say, "Let's eat Mexican tonight." You haven't gained extra weight because there's a great ice cream store less than a half mile from your home or a Mexican restaurant just around the corner. You'd find a way to overeat or eat the wrong foods, even if all ice cream and all Mexican food disappeared from the planet tomorrow!

Ditto for your money problems. If you are blaming another person or situation for your money problems, you are in denial. The problems are *yours*. Own up to your responsibility in creating money problems for yourself, and then you can do something to turn those problems into solutions.

## Exercise #4

*The Person in Your Mirror*

Check all the statements below that you believe apply to your financial situation.

**This Applies to Me**

- ❑ 1. I don't know enough about how money works.
- ❑ 2. I struggle with my bills because of my own poor choices.
- ❑ 3. I am the number one person responsible for turning around my financial situation.
- ❑ 4. I know what to do with money . . . I just don't do it.
- ❑ 5. I haven't ever *really* taken responsibility for learning how money works.
- ❑ 6. I have been lazy when it comes to disciplining myself about money.
- ❑ 7. I am willing to take full responsibility for my current money situation.
- ❑ 8. I am willing to make the changes necessary to enjoy success with my money.

If you checked any of the above, you need a financial makeover—and you know it. Congratulations! You have taken the first reality-check step toward improving your handling of money.

## Key Concept #3

### *Take a Short, Painful Walk into a Lifetime of Success*

This *Total Money Makeover Workbook* is based on one very simple motto:

> If you will live like no one else *now* . . .
> *later* you can live like no one else.

Living like no one else *now* means living a sacrificial, highly focused, purposeful life when it comes to your money.

Living like no one else *later* means living without the worry, frustration, stress, or fear that comes from constantly being on the brink of financial disaster. It means living later with feelings of confidence, hope, and joy related to money.

## What About You?

Are you willing to change *you*? Honestly?

According to a survey by the marketing research company Mintel, 43 percent of Americans say our modern lifestyle makes it much harder to be healthy, and 80 percent acknowledge that "being healthy requires sacrifices."[1] Many people who want to be healthier would say, "Yes, I *need* to change. I'd *like* to change." But when it comes right down to changing, they *don't* change. Why? The foremost reason is because they don't like change—period. They don't want to alter any aspect of their lives. They see change as difficult to impossible or, at the very least, uncomfortable.

I agree. Change always has an element of sacrifice to it. It always has an element of self-denial. Any change that truly results in growth or improvement has an element of pain associated with it.

So let me ask again: Are you willing to change *you*?

## Exercise #5

*The Willingness to Change*

In each pair of opposite statements, circle the one that most clearly represents you in *all* areas of your life.

| | |
|---|---|
| I like change. | I hate change. |
| I'm willing to learn. | I'm not willing to learn. |
| I'm willing to adjust my habits if it means a better life. | I like my habits, and I don't believe I'll have to change any of them. |
| I'm capable of changing. | I don't think I can change. |
| I am capable of enduring some pain, difficulty, and sacrifice if the goal is worth it. | I'm truly not willing to experience *any* pain, difficulty, or sacrifice. |
| I am willing to sacrifice now to reap the benefits later. | I find it hard to stay motivated to sacrifice now for benefits I'll only see in the future. |
| I am willing to do without some things now in order to have the life I truly want later. | I'm not willing to give up anything I currently have or routinely experience. |
| I'd rather have the pain of change than have the pain of money problems. | I'd rather live with the pain of money problems than experience the pain of change. |

Take a long, hard look at your answers above. If you aren't willing to make some painful changes in your life for the short run, there's no reason to continue on in this book. I suggest you stop reading and come back to this workbook when the pain of your current financial situation becomes unbearable or you've reached the point that you *are* willing to trade in the pain of money problems for the pain of change. It's only as you are willing to *change* that a money makeover will work for you.

Complete the motto if you can:

I am willing to live *now* like ____________________ one else . . .
so I can live *later* like ____________________ one else!

### Simple Q & A

**Q:** According to *The Motley Fool*, a financial-advice company, the average credit card debt for households that have a balance is ________.

**A**. $3,600
**B.** $10,522
**C.** $16,048

**A:** C[2]

## Exercise #6

*Taking Charge*

Fill in the blanks in the seven sentences below. Use the Word Pool if you need help!

1. My financial life will begin turning around when I take full ____________________ for the money problems I have.
2. I know I'm smart enough to learn how ____________________ works.

3. I know I am capable of making the ______________________ necessary to get rid of my money problems and worries.
4. I am ____________________________ to live like no one else *now* in order to live like no one else later.
5. I'd rather be *smiling* than ____________________ when I think about paying bills.
6. I want to be in ______________________ of my money, rather than have my money ___________________________ me.
7. If it's going to be, it's up to ________________________________ !

## *Word Pool*

money • willing • me • scared • control • responsibility • changes • control

*Answers:*

1. responsibility
2. money
3. changes
4. willing
5. scared
6. control; control
7. me

Go back and read aloud each of the statements with the correct words filling the blanks!

## 2

# I'm Not *That* Out of Shape: DENIAL

### Key Concept #1

*Most People Are* Not *as Well Off as They Think They Are*

For years I've conducted live financial seminars in which I've relayed this shocking fact:

Seventy percent of Americans live paycheck to paycheck.[1]

This statistic, of course, means that only 30 percent of Americans *don't* live paycheck to paycheck. Fewer than one out of three of us have something set aside to allow us not to face a money problem if we miss *one* paycheck.

**Simple Q & A**

**Q:** According to Katherine Porter, a professor of law at the University of Iowa, _____ percent of bankruptcy filers still get offers for new credit cards!

**A:** 96[2]

It amazes me when I ask an audience at the start of a seminar, "Are you in the 70 percent group or the 30 percent group?" . . . and the majority of the people say they are in the 30 percent group. By the end of the day, the vast majority are willing to admit the truth: they are in the 70 percent group.

## What About You?

The mirror very rarely lies when it comes to physical fitness and health. Many physical problems are evident—if not immediately, eventually. Even if a person isn't visibly overweight, he or she still can be "unfit," which will show up in skin tone, the condition of hair and nails, stooped-over posture, dark circles under the eyes, a pale or "in pain" countenance, and so forth. Poor health can be hard to camouflage, even with expensive makeup.

On the other hand, good physical fitness is evident. The physically fit person has a sparkle in his eyes, a bounce in his step, a glow to his face, a relaxed demeanor that is, at the same time, ready to burst with energy.

Sadly, financial fitness is far less evident. Many people have fooled themselves into thinking they are much more fit than they actually are.

### Exercise #7

*A Starting Point*

Just for fun, mark on the scale below where you think YOU are when it comes to financial fitness:

| **Very Fit** | **Moderately Fit** | **Somewhat Fit** | **Not Very Fit** | **Not Fit!** |
|---|---|---|---|---|
| | | | | |

And now let's check that estimate.

## Case Study: Sara and John

Sara and John had a combined family income of $75,000 a year. They had the so-called normal debts of many couples in their age and income ranges: a small student loan, a car loan, and about $5,000 on a credit card. They had virtually no savings—just a few hundred dollars in a second interest-bearing checking account that they called a "savings account." Nonetheless, Sara and John told themselves they were doing well—in fact, they told themselves they were really on top of things financially. So they decided to build a new house.

Both John and Sara later admitted to having a few uneasy feelings about building a new and larger house, but they figured they were experiencing normal jitters, and they forged ahead. They moved into their new house in May, and then in September, Sara was called into a meeting with her boss. She was expecting a promotion and raise for the good work she had done. Instead, she learned that her company was downsizing, and she was out of a job!

In one day, the family income went from $75,000 to $30,000. By the end of the day, not only was Sara reeling from feelings of rejection and wounded pride, she was feeling the tentacles of financial failure creeping toward her and her family. She and John sat down with their budget, and they didn't like what they saw as a new bottom line. They went to bed that night aware that foreclosure on their new house might be a reality in the near future.

Sara told me, "We took a long, hard look in the financial mirror, and we saw 'fat' people who were terribly out of shape financially. We knew we had to cut back dramatically and immediately if we were going to survive for even a few weeks without my income."

Motivated to a great extent by feelings of sheer panic, Sara shifted into high gear in her search for a new job, and fortunately, she was able to find a position and embark on an entirely new career path in about a month. She said, "I knew I was one of the lucky ones. Some of the others who were downsized didn't find jobs for four, six, even nine months."

The feelings of panic for Sara didn't disappear with the new job. She and John talked at length about their financial goals, and Sara admitted to John that she never wanted to feel such panic and dread again. She said, "I didn't feel the least bit exhilarated at the risk of not having a job. I felt more vulnerable and nervous than ever in my life. I told John I didn't ever want to have those feelings again. I feel very fortunate that John understood my feelings and didn't criticize me for them. I told him I was willing to make any sacrifices we had to make in the next several years if it meant achieving some level of financial security."

The most important change for Sara and John came when they decided that they would seek to live at a financial level that *required* only one income, not two. They mutually agreed to cut back their spending and work at paying off their loans. Their goal was to need only *half* of their combined family income for basic living expenses. They decided the other half would be money they would invest in retirement or use for an occasional trip or luxury. They also decided they would live on a cash basis, without credit cards or loans other than the house mortgage.

It took Sara and John a little over two years to get to the point where they had paid off the school loan, the credit cards, and the car loan, and they had put some money away in an emergency fund. They decided the emergency fund needed to include an amount of money that reflected three months of their expenses. Their reasoning was that surely the person who had lost a job would be able to find another job in three months.

Sara and John currently have *only* their house mortgage as an outstanding debt. Overall, their monthly bills have been reduced by about 40 percent. Meanwhile, John has received a raise, and so has Sara. They are paying down the principal of their mortgage to reduce their monthly payments. As they stand right now, they are within a year of having their monthly bills balanced against their income so they *could* live on HALF their combined family income.

Are Sara and John excited about their progress? Absolutely. Sara said with a great deal of confidence, "We know where we are, we know where we are going, and we know how we are going to get there. We are no longer living in denial about where we are financially. We *know*. We are no longer living the lie we were living when I lost my job—the lie that 'everything is just fine.' Today when I say, 'Things are fine,' they really *are* fine. And they are fine because we faced reality, made some drastic decisions, and worked very hard to change our financial situation so we are at a level that is both comfortable and realistic."

## Exercise #8

### *Let's Get Real*

This exercise is long, and I admit to you that it may seem a little complicated as you work through it. (Some people don't like dealing with math.) I recommend you grab a calculator. The exercise will help you see how much at risk you are if just one wage earner in your family loses his or her job.

How much money do you make a month (combined family income)? $ ____________________

How much of this each month do you save or put in an investment account that you can access and that isn't at risk (such as a money-market fund)? $ ____________________

Subtract the "savings" amount above from your total monthly family income to get . . . NET AVAILABLE CASH FOR PAYING BILLS AND MAKING CHARITABLE CONTRIBUTIONS EACH MONTH: $ ________________

Right now, how much do you have in a savings account or in a readily accessible money fund? $ ________________

How much do you have in your checking account (or *will* have at the end of this month after all monthly bills are paid)? $ ________________

Add these two numbers together to get . . . TOTAL "READY CASH" AVAILABLE FOR AN EMERGENCY: $ ________________

What percentage of your monthly "spending" amount does this last number reflect? ____________ percent
(For example: If you have $2,000 in a savings or money-market account . . . and you have a "net" spending budget of $3,500 a month, your percentage is 57.
[$2,000 ÷ $3,500 = 57.1428571])

The percentage number represents the "amount" of any given month that you can "survive" without serious changes in your spending habits should you suddenly have NO income. In our sample above, 57 percent represents 17 days—or two and a half weeks (.57 x 30-day month = 17).

How many days can you live without any significant changes to your current lifestyle? ____________________ days

If your total family income includes income from two or more people—such as husband and wife—ask yourself . . .

How much of our combined income comes from Person A? $ ____________________

How much of our combined income comes from Person B? $ ____________________

How much of our combined income comes from Person C (perhaps an adult child or elderly parent contributing to family expenses)? $ ____________________

Total Family Income: $ ____________________

The total of the three numbers should be the same as the dollar figure you entered for the first question in this exercise: "How much money do you make a month (combined family income)?"

Now let's figure out what would happen if you lost the income from one or more people.

Take the amount of income from Person A and divide it by the total family income. This gives you the percentage Person A contributes to the total family income. (For example, if Person A contributes $1,200 to the total family income of $3,500, divide 1,200 by 3,500 to get 34 percent.)

Percentage contributed by Person A: ____________________

Then take the amount of income from Person B and divide it by the total family income. This gives you the percentage Person B contributes to the total family income. (For example, if Person B contributes $2,200 to the total family income of $3,500, divide 2,200 by 3,500 to get 63 percent.)

Percentage contributed by Person B: ____________________

Then take the amount of income from Person C and divide it by the total family income. This gives you the percentage Person C contributes to the total family income. (For example, if Person C contributes $100 to the total family income of $3,500, divide 100 by 3,500 to get 3 percent.)

Percentage contributed by Person C: ____________________

The three percentage numbers should total 100 percent.
(In our example, 34 + 63 + 3 = 100.)

Now for the serious realization . . .

How many days did you calculate you could live without making any significant changes to your lifestyle (previous set of calculations)? ________________ days

Multiply that number by the percentage for each person:

Person A: ______________ days x ___ percent = _________________ days

Person B: ______________ days x ___ percent = _________________ days

Person C: ______________ days x ___ percent = _________________ days

Subtract these days from the total days:

Person A: _______ total days – _______ (number of days above) = _______ days

Person B: _______ total days – _______ (number of days above) = _______ days

Person C: _______ total days – _______ (number of days above) = _______ days

In our example:

If Person A loses his job, which reflects 34 percent of the family income, then this person's income represents 6 days of living expenses. The total of 17 days minus the 6 days "lost" if this income vanishes is 11 days.

If Person B loses her job, which reflects 63 percent of the family income, then this person's income represents 11 days of living expenses. The total of 17 days minus the 11 days "lost" if this income vanishes is 6 days.

If Person C cannot contribute his 3 percent of the family income, this person's absence represents about a half day of income. The total of 17 days minus a half day . . . well, the family can probably survive with a very small adjustment.

What's your story?

If one or more people in your family suddenly couldn't contribute to the total family income, how comfortable do you feel about your financial situation?

## Exercise #9

### *What Would Happen If . . .*

One of the best ways I know to help a person see his or her financial state for what it really *is*, is to ask these five basic questions. I challenge you to take the test! Circle ALL answers that may apply to any one question.

1. What would happen if you lost your job today? What would happen if you were laid off—with no warning—and found yourself out on the streets with your personal possessions by five o'clock? How long could you live your present lifestyle in your present home before you *had* to have another job at the same level of income as your present job?
   a. two weeks
   b. one month
   c. two months
   d. three months
   e. six months or longer

2. What would happen if a physician told you today that you needed to have a serious operation that would require two months of recuperation (*no* work) and another month or two of only part-time work before you could resume full activity?
   a. I'd lose my job if I had to be away for that long.
   b. I'd likely keep my job but would be forced to take some unpaid leave (after sick days and paid vacation days were used up).
   c. I'd keep my job and would be paid for all the time I was away.
   d. I'd refuse the operation because I know I couldn't get another job quickly enough to make ends meet . . . or because I know that it would be very difficult to get another job with that medical history hanging around my neck.
   e. I'd quit my job and get well and then regroup and decide what I want to do with the rest of my life . . . and along the way, I wouldn't have any money worries.

3. What would happen if your spouse was in a serious automobile accident today and lost his or her job as a result of a long-term recovery or permanent disability?

a. Everything in our lives would be turned upside down—not just our daily routine, but our finances.
b. We'd be forced to move from our present home.
c. We'd have serious trouble paying more than one month's utility and other regular bills.
d. We'd have to borrow money if we wanted to maintain our present lifestyle.
e. We'd focus all our energies on my spouse's recovery, without financial worries.

4. What would happen if your supervisor came to you today and said, "The company is downsizing, and you are being offered early retirement . . . And, by the way, if you don't take early retirement, you'll likely be let go"?
   a. I'd take early retirement and start doing what I've always wanted to do with my creative energy and time.
   b. I'd panic. I need *full-time* employment to pay for the things I've purchased on time—retirement pay just wouldn't be enough right now.
   c. I'd beg and plead to keep my job because without it, I'd have serious and immediate money problems.
   d. It wouldn't matter how much severance they gave me, I'd need to get another job within a couple of months or I'd have to move from my current residence.

5. What would happen if an elderly parent had to move in with you (because there was no other place for that parent to go), which would require you to quit your part-time job and rely solely on your spouse's full-time job?
   a. We'd have to stop all luxuries in our life.
   b. We wouldn't be able to continue to pay for our child's college tuition.
   c. We'd probably have to trade in my luxury car for a lesser vehicle.
   d. We'd have to rethink just about everything in our budget.
   e. We'd make it just fine, and I'd enjoy this opportunity to spend more time with my parent.

*Summary:*

Overall, how long do you estimate you could maintain your *present* lifestyle—purchases, activities, house, car, and all other aspects of your material life—if you suddenly lost all or a significant part of your current income (circle one)?

**Two weeks**

**One month**

**Two months**

**Three months**

**Six months to a year**

**A year or longer**

"But is that bad?" you may be asking. You tell me. How secure do you feel knowing that you are just that far away from being homeless or "deprived" of your luxuries? How comfortable are *you* living from paycheck to paycheck?

Quickly write down five words or phrases that reflect how you feel about your financial situation right now.

1. ______________________________________________

2. ______________________________________________

3. ______________________________________________

4. ______________________________________________

5. ______________________________________________