Volume 09, Issue 05: Conquering Our Finances Part I

Being a detail oriented person has me plan and manage everything in exact details, including finances. I have maintained some kind of a budget all my adult life. The beauty with committing to being a lifelong student is that we are always learning new things, and in turn improving the way we do things. In most cases, the principle of the subject matter remains the same, what evolves are the execution strategies. One of the areas this speaks for is how we manage personal finances.

This week I wanted to write about how we can and should be on top of our finances irrespective of our levels of income. It's interesting how some people think they don't earn enough to save or give. There's is no truth in that, it's in fact a bondage that can get one into a defeating cycle where they would never begin to save or tithe even when their earnings increase significantly.

Not to digress further as this article is not necessarily about saving and tithing, let me start by admitting that up until the paragraph above this, I thought I was going to write one article on personal finances. I have just realized that would be a very long article. So I am going to split this content into two or three parts. Let's start with the framework in this first step of conquering our finances.

I think most people have a good handle on their finances but there's always something we can learn to improve how we are handling money. Even as advanced as I would say I am in my prowess in managing personal finances, I still study on the subject and get excited by the insights I come across. This is to say that we all need this, so stay the course.

To start us off, we know that from our gross earnings, there are two portions of it that don't belong to us. These are tithe and taxes. Taxes are cut off our gross earnings before it gets to us, or we are responsible to pay it to the tax authorities ourselves. Tithe is ten percent of our gross earnings which belongs to God, and which we are responsible to take to our designated places of worship.

Although we know this, some of us live as if what comes to our pockets is the stipulated gross earnings. Those who do this peg their lifestyles on the gross figure they negotiated and received on their contracts, which quickly spirals them out of balance. Ever wondered why even people who earn large amounts of income struggle with debt or live from paycheck to paycheck?

The first step in conquering our finances is knowing how much we actually have at our disposal. It's easier when your earnings come to you with a pay slip, because all you need to net off to know how much you have to program is tithe, which is 10% of your gross earnings, not 10% of what hits your account or wallet. In the absence of a pay slip, determine how much of your gross earnings goes to taxes, pension and tithe. What is left after that is what you have available to program.

Now that we know the amount we have at our disposal, that even though I receive ten thousand units today, I actually don't have ten thousand units to program. If my pension contribution and taxes have already been deducted before the 10,000 units were given to me, I have 9,000 units to program. So, I shouldn't live as if I have 10,000 units that I can see in my wallet, because in essence, I have only 9,000 units since 1,000 units is my tithe, which doesn't belong to me.

Now we can program the 9,000 units that belongs to us. We should in fact have a plan of how we would program the 9,000 units before we receive it. I usually figure this out at the annual goal setting stage. Doing this gives us the opportunity to set out our intentions of how we will program earnings that come to us. That is expected regular earnings, one off bonuses, interests and dividends, and other unanticipated inflows.

Let's consider some of the items we should want to have covered by our 9,000 units. That list would be different for each of us because we are at different stages in life. The main items I consider are savings, immediate spending and future spending. I recommend breaking down the savings into two categories; savings for investments and savings for emergency reserve. Additionally, it is better to manage these four broad categories in separate folders, that is, separate bank accounts or the equivalent of bank accounts. We will start with why its useful to have multiple bank accounts, as well as break down what constitutes immediate spending and future spending in part two.

For His Glory,

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