



Show Clients Their Spending Habits

May 1, 2017 • [Mitch Anthony](#)

“You are not competing with anyone else. You are only competing with yourself to do the best with whatever you have received.”

—L. Tom Perry

In my last column, we discussed the cash-flow conundrum faced by so many advisors whose clients want to turn a blind eye to their spending patterns and resist a granular examination. Though many clients may not want to know the reality of their situation, they need to know where they are financially.

For me, this dilemma was one that needed to be solved in a simple manner. For those planners who would like a more subtle approach for illustrating the impact of spending before actually conducting a detailed cash-flow analysis, I’ve devised a non-confrontational method that requires nothing more than a tax return to produce an illustration.

FIGURE 1

Owe-Grow-Give-Live

INCOME NOW	\$125,000
OWE	Taxes \$15,000
I am content with the amount and process for paying my taxes.	
OWE	Debt \$24,000
I am content with the amount, purpose and repayment plan for my current debt.	
GROW	Savings \$2,000
I am content that my savings plan allows me to accomplish what’s more important to me.	
GIVE	Charity \$2,000
I am content that the proportion of my income and assets allocated to giving appropriately reflects the difference I desire to make in the world.	
LIVE	Spending \$82,000
I am content that my lifestyle spending aligns with my values and goals.	

This approach is designed to show clients what they’re spending—without asking them to disclose what they’re spending. I call this method, “Owe-Grow-Live-Give” because there are only four things we can do with our money. Taxes and debt are monies that we owe, and savings and investments are monies that we grow. Lifestyle spending is money used for living, and charitable donations are monies used for giving. Again, all the information advisors need can be found on their clients’ 1040.

The tool I developed is the Owe-Grow-Live-Give Illustrator—a simple app that helps clients recognize where they are at with their personal allocation of income. The interesting aspect we stumbled upon in developing the app was that once we added clients’ annual income, the money they owed in mortgage debt, their qualified savings and their deductible contributions in the “owe,” “grow” and “give” columns, the “live” part of the pie automatically filled in the rest. And, boy, were clients surprised when they saw how much of the pie was being consumed by lifestyle spending! (See Figure 1).

What many advisors like is that their clients are seeing what they spend without having to conduct a cash-flow analysis. This tool is a non-invasive way to give clients a reality check.

Now the conversation can commence.

“Is there anything about this pie chart you’d like to change?”

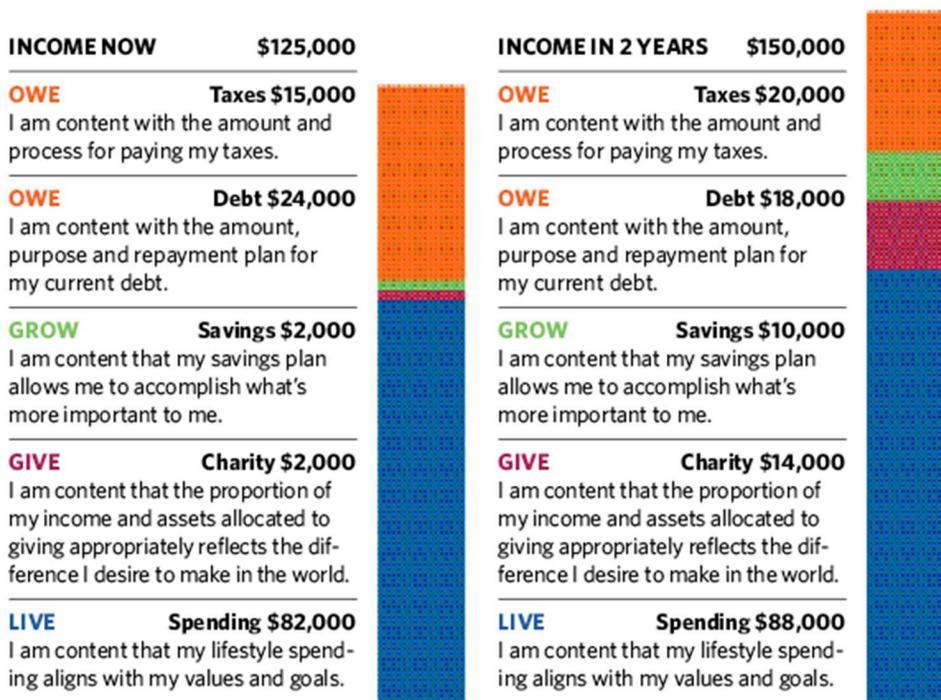
“Are you surprised by anything?”

“What would you like to change?”

The next step is to fill in the “Where You Would Like To Be” chart (see Figure 2). You simply input a goal in terms of years, and then adjust the income and the Owe, Grow, Live and Give numbers to where the client would like them to be in that time frame. Now clients can view where they are side by side with where they want to be.

FIGURE 2

Where You Would Like To Be



Your conversation can now focus on:

“What steps will we need to take to get you there?”

“Here are some of my recommendations ...”

To truly make progress financially, clients must recognize the constant competing forces working on their wallets: the needs for owing, growing, living and giving.

Let me illustrate. Let’s say one of your clients receives an unexpected windfall of \$1,000.

If they owe, they might say, “Probably best to pay that overdue bill.” Or, “I could pay extra against my mortgage this month, or pay it against my credit cards.” Or they might say, “I could use the \$1,000 as a down payment for

that camper I've been eyeing. What a great summer this could be!"

But the desire to grow will enter the debate and they will think, "Finally I can max out my IRA this year—I've been saying I want to do that." Or the growth impulse might make them think, "You know that \$1,000 could be worth three times that in 10 years, if I could find a way to average 10%."

About this time, the "live" impulse enters the fray—and with some good epicurean logic your clients might think: "I am so overdue for a nice getaway weekend. I should go to the city for the weekend, stay in that great boutique hotel downtown, take in a ball game and have a nice dinner for once." Or they might ask themselves, "How long have I been waiting to buy that great matching ottoman for the living room? Sure, \$1,000 is a lot for an ottoman, but this is like free money. Go for it!"

The voice that says "give" is quieter, so quiet that clients can hardly hear it. "Wouldn't it be cool to take that money I never planned on having anyway and give it to the hurricane victims? How good would that feel?" Or clients might think of some crazy random idea like, "You want to really have some fun? How about taking \$100 a week for 10 weeks, and then look for people who are in real need and just walk up and give it to them."

For all of us, the debate goes on every day with every dollar—even if we are not fully tuned in to the signal of this debate. In many ways, what we do with our money is a reflection of our hearts. Obviously, we can't give all our money away or we wouldn't be able to support our families or meet our obligations or prepare for future needs. We can't spend everything on living today (though many try to). We can't save every penny without becoming stingy or renouncing some of the pleasures and comforts that money provides to our daily lives. On the other hand, we obviously can't owe every penny we earn and not be miserable in manifold ways.

If the goal of achieving a greater return on life is to "get the best life possible with the money we have," then it might be worth our time to explore what the "best life possible" really means. We begin by looking more closely at the relationship between owing and growing, owing and living, living and giving, and growing and giving. The relationships among these uses of money are real, and we experience the opposing pressures they exert weekly and monthly.

From these four relationships we see the four outcomes that constitute the best life and measure progress toward the best life financially:

1. The relationship between owing and growing is about our freedom. If we owe most of our income, we are in bondage to those we owe. Our money is not really our own.
2. The relationship between owing and living is relevant to our comfort. We can have a really nice lifestyle, but if we are mortgaged to the hilt, we are under constant stress.
3. The relationship between living and giving is important to our sense of purpose. If we are spending money and not deriving satisfaction from those expenditures, we could find more meaningful uses for those dollars.
4. The relationship between growing and giving is about our sense of abundance. There are many Americans who already have more than they could ever spend but live in fear of not having enough should a crisis come down the road. They could be experiencing abundance by understanding what their charitable potential really is.

Allow me to frame it this way: If you could find a method for decision-making about money that delivered

freedom, comfort, purpose and abundance, would that financial framework be worth considering? Keep in mind that the antitheses of these results are bondage, stress, aimlessness and lack—which none of us aim for.

We experience cognitive, emotional and even spiritual breakthroughs when we come to realize that what we do with our money impacts our heart and the very quality of our existence. Who doesn't want a life replete with freedom, comfort, purpose and abundance? Wise financial decisions can trigger and perpetuate all four of these features in our daily lives ... but it all starts with an examination of where our money is going.☐

Mitch is the author of the industry bestseller StorySelling for Financial Advisors and the groundbreaking The New Retirementality (now in its fourth edition). A highly sought-after speaker, Mitch is widely regarded as a thought leader and pioneer in Financial Life Planning.