

Leakage

When I work with people on their finances, the conversation almost always gets to income & expenses: "what's your income?", "how much is rent?, car payment?, utilities?, insurance?, credit cards?..." For most, the harder monthly expense questions are about "*discretionary expenses*": the money that is under our control or judgement to spend that can vary based on our (un)intentional choices and behavior. Restaurants, clothing, groceries, hobbies, and entertainment, are examples. Most can only guess what these expenses are, and they usually estimate much lower than the actual expenses. Discretionary spending is a huge source of "*leakage*".

Leakage: the money that has just ***poof*** disappeared when looking back at income and expenses. Where did it go? It's typically the small, yet frequent expenses that happen to us all; a coffee at "*FiveBucks*", the convenience store, a lunch out of the office, the vending machine, a drink after work, impulse buy while shopping, etc... A quick scan of a plastic card for a few dollars here, a few more there, can add up to hundreds of dollars a month that are just... gone.

When people start a written "*Spending Plan*" (digital is usually easiest) and tracking budgeted dollars vs. actual dollars, the leakage becomes apparent. When we become aware, and take more control over spending, we magically "*find*" as much as 20% of income that was leaking away. Among the digital apps that make finding and controlling leakage easy are Mint.com, and my favorite spending plan app, YouNeedABudget.com.

If a part of this money can be found and controlled, it can be applied to goals such as growing an emergency fund, paying off debts, "*reserve fund*" saving for future purchases, and longer term goals such as buying a new car, a vacation, or a down payment on a house.

If you want to get better at managing your money, tracking and controlling leakage is critical to success. If you'd like some more tips or help to gain control, please contact me.



George

George Katsinis, AFC®

Personal Financial Counselor for the Oregon National Guard

PFC1.OR.NG@Zeiders.com

Cell: 503-459-6446