

The 30 Day Budget



Day 0: The Basics



What's this all about?

The 30 Day Budget is a 30-day challenge – a set of exercises and “life hacks” designed to make you think differently about money and take control of your financial decisions. You could probably read it in one sitting, but don't. The book is split into 3 sets of 10-day challenges and exercises, cleverly labeled with the headings **Challenge** and **Exercise**. Do them, or don't bother. This is digital, so just flipping the pages won't even give you the benefit of a gentle breeze.



This won't be easy.

If you read the 30GO30 blog, you know I take a tough love approach. I'm a nice guy, and I think people need support, but we all make excuses, and I can't always hold your hand. Money is tricky, and it's emotional, and this book is going to make you do and face things that you don't want to do and face. If you're not ready for that, don't turn the page. I made this book free for a reason – you can put it down right now and walk away.



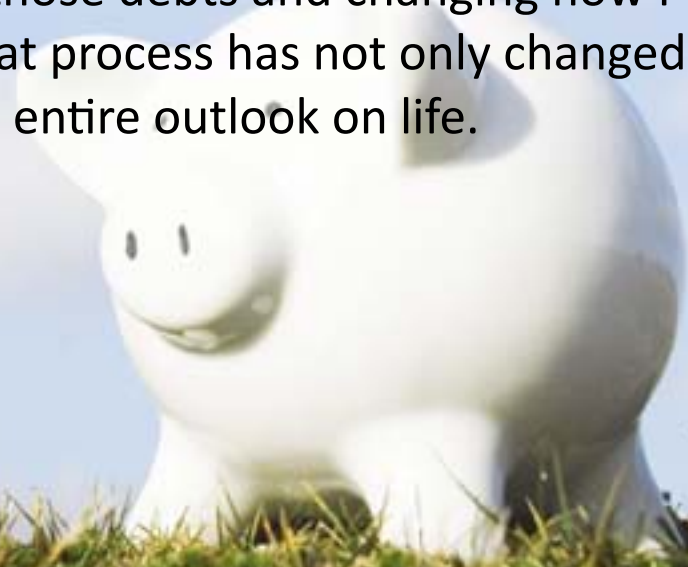
Who the hell are you?

Be honest – you were thinking it. Who am I to tell you what to do? I'm not an economist, and I don't claim to be an expert on money. I am a cognitive psychologist, and I know a bit about why we make the bad decisions that we make. I'm also a consumer and a dad, and I've made plenty of bad money decisions of my own. I'm not going to tell you what you should spend your money on. I'm going to guide you through thought exercises and challenges that have really helped me, so that you can make your own choices.



I've been stupid, too.

In 1997 (at age 27), I finished grad school and took a risky job at an internet start-up. I was sitting on a pile of debt and making \$30K/year, and I was making a lot of bad decisions. I dealt with my own self-esteem issues and career doubts by buying things, and it added up. I finally realized I had a little bit of money in the bank, but I was also sitting on (and adding to) credit card debt. So, one by one, I started paying off those debts and changing how I thought about money. I'm 40 now, and that process has not only changed my financial situation – it's turned around my entire outlook on life.



Days 1-30: The Rules



This is about you.

The challenges and exercises in this book are broken up into 3 10-day chunks. Before we dive in, I've got a couple of rules that apply to the entire 30 days. First off, these exercises are mostly about you and how you think about money. If you have a spouse, significant other, or roommate, it might help to get some buy-in, but don't focus on that. It's easy to blame other people for your own bad decisions, and even if there's a grain of truth in it, that emotional finger-pointing is useless (and might just be destructive to your relationships). This process starts with you.



Challenge: Stop impulse buying.

Your first challenge is also the toughest, and it lasts the entire 30 days. I want you to stop impulse buying. I don't just mean the Pepperidge Farms cookies next to the check-out counter – I mean anything you don't need and didn't plan to buy. Cut out the dessert at dinner and popcorn at the movie that looked good when you walked by. Skip that Star Trek Enterprise pizza cutter your friend linked to on Facebook. It's ok to go to dinner or a movie with your kids. Again, this is about you. If you need to pick a start date and take a couple of days to prepare, that's fine. Better to do it right than rush it.



Days 1-10: No Emotion



Remove the Emotion.

Money is very real. I'm not here to tell you that your problems are all in your head. Money may not buy you love, but it can buy you security, and not having it means a lot of insecurity. Tie in parents, family, friends, and society's expectations, and money gets messy (and often ugly) fast. You have to remove the emotion. Money is emotional, but a budget is all numbers. It's not easy, but if you want to tackle your money problems, you're going to have to take a cold, hard look at them.



Challenge: Wait 24 hours.

When I was a graduate student, I bought a Ronco food dehydrator. It wasn't a terrible product, but within a month it was just taking up cabinet space. A single grad student only needs to dehydrate so much. So, I created The 24 Hour Rule. It's simple – if you see something you want, and it's not urgent (like food), give it 24 hours. Don't pick up the phone right after that infomercial, and don't stop by the Apple store on your way home from visiting your friend with the new iPad. It's a simple way to remove emotion from the equation and reduce impulsive decisions.



Exercise: Face the truth.

Any budget starts with knowing where you stand. In this first 10 days, I want you to face the whole truth – sit down with all of your debts (credits cards, car loans, student loans, mortgages, all of it). Your recent credit card statements show you not only what you owe, but what it's going to cost you in the long run. Face that truth, too. Summarize the numbers on one page, if you can, and accept it for what it is. Burying your head in the sand won't make the desert go away.



Exercise: Add it all up.

Sorry, you're not done yet. Facing the truth has a part 2, and it's probably even more painful. Take a hard look at the small stuff that you do every day. How much is that Grande Latte and blueberry scone you pick up during your afternoon break? Let's call it \$6, and let's say you have 4 weeks of vacation and holidays. That leaves you with 48 weeks in a year, or 240 work days. Multiplying that by \$6 = \$1,440 for coffee and biscuits. The "little" things add up fast, and you need to face that, too.



Days 11-20: Them Apples



Compare apples to apples.

There's a trick we play on ourselves. When we want to justify buying something, we turn it into an apples to oranges comparison. That thing that you want right now is somehow unique and precious. Of course, the cash it'll take to buy that apple today is still green, and spending it means you won't be able to buy those other apples tomorrow. Every single financial decision you make should be a conscious choice – an apples to apples comparison against everything else you could buy. How 'bout **them** apples?



Even sacred cows poop.

Even worse, we take some of those apples and reincarnate them as sacred cows. You **need** that afternoon latte or that Saturday massage, so you take it off the budgeting table. I'm not here to tell you what you need, but if you make a part of your budget untouchable, take responsibility for it. Feeding that sacred cow costs real money, and choosing it as a priority takes money from other priorities. Choose your sacred cows very carefully.



Challenge: Count in real \$.

It's time to put this idea into action. For the next 10 days, I want you to treat every discretionary purchase (I'll let you buy bread and milk guilt-free) as an apples-to-apples comparison. If you take the family to a movie and pay \$40 for 4 tickets, what else could that \$40 buy? Don't just think in terms of entertainment, but across the whole world of your finances – a tank of gas, half a week of groceries, a month at the gym, the minimum payment on your credit card, and on and on. You can still spend the money, but make the choice, and consider what else that money could buy.



Example: It's only \$40 more!

If you've ever bought a new car, you've seen all of these problems come into play. You want the cruise control, but that's only part of Package Q, which also comes with 14-speaker surround sound and gold-plated windshield wipers, all for only \$2,000. You'd never buy those things for \$2K separately, but since you're already spending \$20K on the car (it's just an extra 10%!) and it'll only raise your monthly payment \$40, it's no big deal, right? Wrong. That \$2,000 is real, apples-to-apples cash. Ignore the salesman and stop and think about what that money could buy.



Exercise: Find a substitute.

What if you could trade one apple for another, less expensive apple? Here's a personal example. I used to feel guilty about buying expensive tea, because I saw the cost all at once. Then I realized that the most expensive tea I had (\$140/lb, for the record) with the finest organic honey (blessed by monks) still only cost me \$0.50/cup. Meanwhile, 2 bags of Tazo and a cup of hot water at the local coffee shop was \$3. Look at the "small" things you spend money on every day – is there a viable substitute? If you're trading cash for convenience, are you getting your money's worth?



Days 21-30: The Choices



This ain't Smith's Capitalism.

I think it's ok to want things, and I'm not opposed to capitalism. Adam Smith, the father of capitalism, thought that our own self interest would compel us to make good buying decisions. Unfortunately, I don't think he foresaw the marketing juggernaut. It's not just that we buy what we don't **need** – we buy what we don't even **want**, just because someone told us we should. That's the real problem. We aren't making conscious choices, even in our own self-interest, and we don't know what we want.



Challenge: Choose not to buy.

Have you ever seen a child begging their parent to buy a toy only to hear mom or dad say “You don’t want that.” Sure, they do. Maybe they don’t need it or maybe mom or dad don’t want to buy it for them, but in that moment, they want it. We play the same game. We say “I can’t afford it” and then start to feel deprived, immediately increasing the value of whatever “it” is. Usually, we could afford it, but it would mean a lot of sacrifices we aren’t willing to make. Next time you don’t buy something, **choose** not to buy it.



Exercise: Pick a priority.

Remember the “Face the truth” exercise, where you put all your cards on the table? If you’re reading this book, I assume you’re probably sitting on some debts. I want you to pick one and make it a priority. Run the numbers, make a plan, and start increasing what you pay into that debt. It could be the debt with the highest interest, or it could be the smallest debt – either are a good starting point. When you try to tackle everything all at once, it can be overwhelming. Choose a starting point, and commit to a concrete plan.



Exercise: Go for something big.

Budgeting can sometimes feel like all pain and no gain. You're going to have to give things up, but you also have to remember that you're doing this for your own long-term happiness. When the debts are paid off and you're back in the black, what are you going to do? Pick a goal. Make it big – it could be your first new car or a home or that dream vacation. It could be finally seeing someone in your family go to college. I can't tell you what your goals should be, but set one in your mind and remember that there's a point to all of this.



Day 31: The Recap



What hurt the most?

You made it! At least I hope you made it, and you aren't just flipping through the pages (if you are, shame on you). So, what hurt the most during this 30 days? Was it facing the truth of your finances, keeping yourself from impulse buying, or figuring out what you want? That discomfort can tell you a lot about what's standing in your way and where your resistance really is. Face it, and try to understand it better going forward.



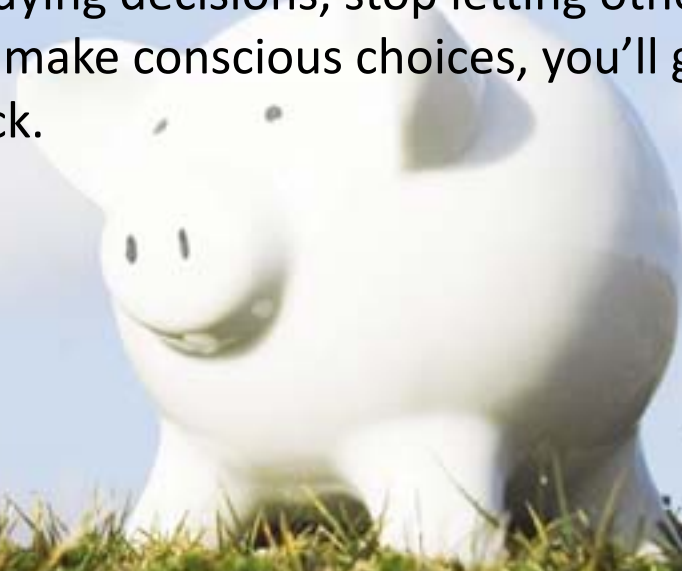
Challenge: Give something up.

You can go back to the occasional impulse buy – I don't think you have to live in total deprivation to be a grown-up. I want you to make a tough choice, though. There's something you know you need to give up, probably something that costs money **and** is a bad habit (like that morning Red Bull or pack of cigarettes). It's different for everyone, but deep down, you have some idea of what it is. If your vice mostly just costs you money, cut back or find a substitute. If it costs you money and it's no good for you, give it up.



Challenge: Keep it going.

Sorry, you're not done yet. I want you to turn some of the challenges in the 30 Day Budget into long-term habits: The 24 Hour Rule (p. 12), Counting in real \$ (p. 18), and Choosing not to buy (p. 23). There's a theme here, if you haven't noticed it – I want you to live your financial life deliberately. Face reality (however unpleasant), make choices, and commit to those choices. If you can remove the emotion from your buying decisions, stop letting other people tell you what you want, and really make conscious choices, you'll get where you want to go. You won't need luck.



Challenge: Share your story.

If you went through the 30 Day Budget and it worked for you (or even if it didn't), let me know. I'd love to hear your story, comments, or complaints:

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