

## GRANDMA'S LESSONS ON FINANCIAL MANAGEMENT

I'm looking at the accounting book kept by my grandmother in the 1930's. This is the first of her books that were kept right up until her death last year. What an amazing story the pages tell: The sorts of things she liked (lifesavers); she liked to do (go to the show); the gifts she bought for friends and family (a \$2.75 Yardley's shaving kit and \$1.00 zippered pouch for her fiancé, a \$4.00 amethyst pendant for her mother, \$27.44 altogether); the money she gave to the church; the things she needed (\$1.00 to use an iron in 1931, sewing accessories, stationary, hair, coats, shoes, hose, hats, dresses, cosmetics, soap, hope chest, phone, insurance, gifts, mom, sister, teeth, doctor, board, miscellaneous for a total of \$569.87 in 1930). I'm almost afraid to touch the book. There is so much detail, so much history; so much of her life is in these pages.

Inside the cover is an old newspaper clipping of a story of a society lady who seemed to keep the same records. This lady obviously had the same respect and appreciation for the importance of keeping financial records as my grandmother. It seems from the article and from my experience with elderly clients that this record keeping was a common practice years ago. What happened? It would be easy to say that it was a practice done only by those who were poor and had to watch their pennies - but that wasn't the case - with my grandmother or with the lady in the newspaper clipping.

What does this have to do with how we manage our finances today? Well, quite simply, I know very few people keep a cheque book today, let alone balance one or keep detailed financial statements like the ones kept by our grandparents. You could argue that the information is available on your bank statements and credit card statements, but is it? The careful analysis of a cheque book entry or of categorizing expenditures and tallying them monthly and annually is a completely different process than simply scanning an electronic statement to see that all the items did indeed belong to you.

Today, we have automatic debits and deposits, several credit cards, interac purchases, automatic charges to credit cards, various bank accounts, savings accounts, investment accounts, lines of credit and overdraft accounts so that access to cash is easy. However, along with the access to cash is the temptation to spend - and there is plenty to spend money on. Our values are demonstrated by the things we spend money on, rather than how we really live. For example, if you spend a lot of money on your children, it's a good indicator that you place a high priority on your children's well-being. However, the values that are really being taught to the children might be that the "stuff" money buys is their right as children. They aren't learning the value of delayed gratification, or of quality time spent together, or of the real value of all the "stuff" in terms of what was sacrificed in order for them to have it.

The basic priorities of household financial management are not being taught to our children. They are instead learning that if they like something it can be bought - they don't know the difference between items purchased with cash and items paid for with plastic much over time. They don't have any means of recognizing that there was effort made by the parent to acquire the item. In fact, often, the parents might not even recognize the actual effort they put out in order to fund their lifestyle because it is financed over such long time periods.

If something was bought on credit the parent could be paying for the item for years, while the child can all too frequently toss aside these impulse items and ignore them within a short time because all they did was satisfy an immediate gratification, not a true desire. How many children's toys end up thrown in a heaping box somewhere broken and pieces missing?

In fact, very few people even realize the full cost of something purchased on credit and not completely paid for at the end of the month – and this extends well beyond purchases made for our children. Furthermore, even when credit cards are paid in full each month, studies have shown that an average of 35% more was spent. I believe this statistic would probably transfer to any form of plastic payment, although I've not seen any studies. Why do I believe this? Simply because if the money is there and accessible it is easy to see something we like and buy it. And, if we have no means of keeping track of our purchases, we can spend unconsciously and never realize where all the money is going.

There was no credit in the old days--no instant gratification or electronic access to banking information; and our grandparents found the time to record their purchases and analyze their spending. They didn't do this out of scarcity – they did it to maintain a responsible control over their personal finances.

Some people might say, then, that the answer to having better control over personal finances is to cut up credit cards. Not so. The answer is to keep better records, take the time to record purchases and analyze the data. Find out where your money is really going, then use this information for your own benefit by comparing your financial transactions to your life priorities: are they reflected adequately in your day-to-day transactions? Take a look around your home – do you have clutter – particularly extra papers that need to be dealt with, and stuff that you just don't want or use any more? Are you where you want to be financially? Perhaps this clutter and extra papers is a clue that you need to make some financial changes.

Here, then, are the lessons on financial management from my grandma (and other's from that generation):

- 1) Take the time to track your expenditures, then
- 2) Take a little more time to consider the categories of expenditures and how they relate to your real priorities, and finally,
- 3) Take the time to develop and follow a system for filing your papers.

It's an invaluable exercise, for how you live your life today; for your future planning; for the taxman if he ever comes knocking; and perhaps for your future generations - because of the story the pages tell and of the lessons passed on to your children. Thank you, Grannie, for the values you demonstrated and the legacy you left in the pages of your financial journals!

A handwritten signature in cursive script that reads "Tracy".