Exercise: Know Where You Stand Financially

Let’s see what the information you’ve just gathered means. In the following worksheet, “Know Where You Stand Financially,” write your Average Monthly Income figure in the first row. Write your Average Monthly Expenses figure in the second row. Subtract your expenses from your income. Record the resulting figure in the “Difference” row. This figure reflects your monthly deficit or excess.

<table>
<thead>
<tr>
<th>KNOW WHERE YOU STAND FINANCIALLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Average Coming In $</td>
</tr>
<tr>
<td>Minus (-)</td>
</tr>
<tr>
<td>Monthly Average Going Out $</td>
</tr>
<tr>
<td>Difference Between the Two</td>
</tr>
<tr>
<td>(monthly sum deficit or excess)</td>
</tr>
</tbody>
</table>

You may have already known what you’ve just put in writing. If so, I’m proud of you! If you’re like most Americans, however, you’re either pleasantly surprised or (more likely) at least a little shocked. In fact, I’ve found that before doing this exercise, most people underestimate their average monthly expenses by at least $500 to $1,500 a month. So consider this a “Thanks, I needed that” moment. With the information you’ve just gathered, you’re ready to get busy to protect your financial future and those you love.

If after doing these last two exercises you discover that you have more than enough income to pay your expenses, then you’re doing great. You can skip to page 14. But even if your income exceeds your expenses, you may want to do the following