

The Balancing Act

Creating financial freedom
in the balance between
what you need and
what you have



Dave Baldwin

THE BALANCING ACT

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I dedicate this book to my wife Andrea. Thank you for believing in me, encouraging me, and supporting me through this project.

Table of Contents

Introduction

- 1: Financial Freedom**
- 2: Why We Feel Stress Over Money**
- 3: Getting to Know the Irrational Self**
- 4: Exploring Our Motivations to Spend**
- 5: Spending Money We Don't Have**
- 6: Changing Our Behavior**
- 7: Maintaining Balance**
- 8: Catching Up and Getting Ahead**
- 9: The Balancing Act**
- 10: Personal Stories**

Appendix

Introduction

When I set out to write this book, I recognized my own past struggles with stress, financial pressure, and managing the balance between my lifestyle and my budget. Over the last decade my career has put me in front of many people who are concerned about and struggling with some of those very same issues. These people have had a diverse range of backgrounds, income levels, and circumstances. No matter what those differences, whether it was age, income or net worth, most people shared a few common themes:

- It is very easy to live at or above our means because we don't always understand exactly what our income is or what our lifestyle actually costs.
- We tend to overinflate our needs when justifying our lifestyle.
- Very few people have, and stick to, a plan that accounts for long term goals when considering what their lifestyle should be in relationship to their means.

Those observations as well as my own experiences have allowed me to help others gain perspective and overcome the stress associated with these issues. I wanted to put down on paper the lessons I have learned as well as some

reasons why we do what we do with respect to our spending and decisions around money.

I think we all recognize the obvious truth about money and stress. Not having enough money for the things that we need is stressful. Simple as that. We can further compound that feeling of stress by confusing our wants with our needs. Ultimately, being free from that stress—and achieving the feeling of financial freedom—is the result of having enough money to cover what we deem to be our needs.

In the end, creating financial freedom in the balance between what we need and what we have leaves only two options: make more or spend less. While making more is not always an option, the alternative of spending less tends to be an undesirable option. For some reading that last sentence, the thought of spending less brings on the very stress I am trying to help them avoid.

Most people don't want to take a step back, live on less, or give up the comforts they have grown accustomed to. We easily change the idea of financial freedom to represent not having to follow a budget or accounting for how we spend our money because a lifestyle of limitations and balanced budgets can be stressful and probably feels like the exact opposite of financial freedom.

The rat race of chasing more income isn't much better for alleviating stress. The same challenges of living within our means exist at practically every level of income. The same desires, motivations, and justifications that allowed our lifestyles to meet our income and leave us feeling like the only solution is to make more money will follow you into your new income level.

When you consider the time and effort it takes to make more, and that you could end up no better off with regard to the balance between your income and your needs, you may find that the only practical and sustainable solution is to spend less.

That's not to say you can't solve your problems through making more. Don't get me wrong, if you have the ability to make more then go for it. Work hard and seek the income you deserve for your efforts. The stress of not being able to fulfill your needs may be the very motivating force that drives you to work harder and strive for more success. The purpose of this book is to help you create financial freedom and making more money is one of your options. But if your goal is to reduce stress then be careful trying to depend on increasing your income as the only way out of the hole.

You may find that the answer is a combination of both spending less and making more. But again, we have to be careful when finding our solution. We are problem solvers and we can find shortcuts or quick fixes to address our financial worries. Finding the right balance is a science, so to borrow a quote from theoretical physicist Richard Feynman, "The first principle is that you must not fool yourself, and you are the easiest person to fool."

The premise that financial freedom exists in the balance between what you need and what you have is easy to manipulate by not just looking to what you have, but instead looking at what you have *access to*. Using debt to bridge the gap and alleviate our stress is both easier than spending less and making more, and in the short term can be the path of least resistance. There may be times that debt is the only way to afford something you need, like buying a house or a car. There may even be times

when debt can be used as a strategy to leverage a position when buying something that can appreciate in value. What you should be wary of is the temptation is to consume what we want today with tomorrow's money and get the immediate joy from that consumption without having to realize the immediate cost.

You may be dealing with the aftermath of this very temptation now. Addressing the ongoing costs of carrying your debt may also be the most significant way to reduce your spending and expand the gap between your lifestyle and income. Again, I urge you to be careful in seeking quick fixes and shortcuts, as they can be just as detrimental to creating financial freedom as the bad habits that created the problem. If you have not committed to changes in spending, or if you have not addressed the mismatch between your lifestyle and your income, you may find yourself repeating your mistakes.

The big takeaway is that you are not alone. The challenge of managing our lifestyle and finding a sustainable balance between what we need and what we have is very common. It's something that not a lot of people feel completely comfortable talking about. Our friends, family, and peers could very well be going through different levels of stress and we might never know it. There is no shortage of personal finance experts or resources to help guide people through the challenges of this difficult element of our lives. In fact, I've read through a lot of those resources along my personal journey and routinely lend these books out to my friends and clients.

I wrote this book because I want to make myself available to help people overcome this struggle. I want to address *why* we experience financial stress, *why* we are driven to

live right up to the limit of our means, and *how* we can be empowered to solve the problem. This book is my way of sharing what I've discovered about overcoming financial stress and finding financial freedom. The sooner you can figure this out, the longer you can experience the benefits.

1: Financial Freedom

*“It's the good advice that you just
didn't take
Who would've thought... it figures”
—Alanis Morissette and Glen
Ballard, ©1995, Maverick Records*

Remember the '90s song “Ironic” by Alanis Morissette? It was a long list of situations that didn't work out the way they were supposed to. Whether you chalk it up to bad luck or poor timing, it is certainly frustrating when everything seems to be going wrong. Perhaps they should have called the song “Frustrating” instead, although that probably wouldn't have been as catchy.

If you're reading this book, getting your personal finances on track and reducing financial stress in your life may be a source of frustration. You may have tried over and over to make very simple changes in your spending habits and it just hasn't taken hold. The world entices you to spend or an unexpected expense pops up, derailing your best efforts.

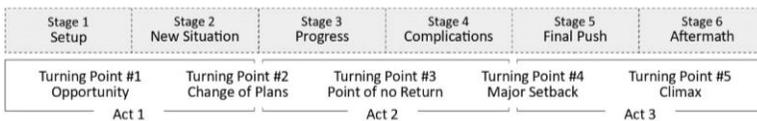
This book is aimed at helping you overcome that frustration. It will provide you with an understanding of why you spend your dollars the way you do and show you how to implement a plan to achieve what you want.

Time to write a new script

Your life may keep taking turns like a movie plot, where a simple objective gets foiled by the least likely obstacle, dragging out the story and creating doubt that the characters will be successful in their endeavor.

Classic comedies like “Planes, Trains, and Automobiles” or any of the infamous “Vacation” adventures of Clark Griswold might come to mind. While the frustrating turns of events in those movies illicit cheap laughs, you probably don’t feel like laughing when it comes to your finances.

The graphic below outlines a typical screenplay plotline:



The first act introduces the “hero” of our story and an opportunity is presented. Characters develop in the setup stage and more information about the situation becomes clear. Success will be difficult. It will require commitment and a more serious approach than first thought. This change of plans shifts the story into Act 2.

In the third and fourth stages there is progress, but complications present higher stakes and the hero reaches a point of no return. A major setback, or a chance of failure moves our story into Act 3. Then in a final push—the climax—our hero accomplishes their goal.

Viewing those plot turning points in terms of personal finance aspirations, I think you’ll see a journey that can be surprisingly similar to finding your path to financial freedom:

Opportunity: The vision of a life without financial stress. A desire to be free from the burden of debt or the rat race of chasing after more.

Change of Plans: Learning the challenges you face, you know that bad habits will be hard to break. Transforming your lifestyle to align with your desire for financial freedom will take sacrifice and difficult choices. Your old ways must change.

Point of no Return: Permanent changes are made and goals are set. The commitment to change eliminates the opportunity to turn back.

Major Setback: Challenges may present a feeling that you can't do it. The task at hand seems too hard. Temptations threaten to prevent achievement of the ultimate goal.

Climax: Success! The ability to persevere and overcome your challenges has revealed a new and better life, free from financial worry.

Perhaps you are starting to see *your* opportunity and a vision for financial freedom. The challenge of rewriting your financial script is probably not as difficult as you imagine, but only if you focus ahead to the long-term satisfaction you'll feel in achieving goals that are most important to you. Let's explore what that can mean for you and your lifestyle.

What is financial freedom?

According to the "Stress in America" survey conducted annually by the American Psychology Association, money is consistently one of the top causes of stress for Americans, and has been since this survey began in 2007. The idea of financial freedom is minimizing—or even

eliminating—financial stress. It’s freedom from the worries of not having enough money for the things you want or need. It’s ending the constant struggle and the rat race to have more.

It doesn’t mean you have to be a minimalist, or that you shouldn’t be willing to work hard for life’s rewards. But what good is working 60-plus hours a week to afford a lifestyle that you’re too busy to enjoy? It’s like selling your car for gas money or exercising to the point of injury. It defeats the purpose.

It’s easy to overinflate the amount of hard work it takes to achieve success and in turn, magnify the reward we think we deserve for that hard work. This justification for spending, especially if it leads to overspending, can create a compounding deficit that requires more earnings to pay for that reward.

Instead, it’s about being content with what you have and *balancing* what you want with what it takes to achieve it.

The Well-Being Index and the benefits of living below our means

The objective of this book is to show you how to limit your needs to something less than what you can afford. Put another way—to live below your means. Then, to the degree that you can create a *gap* between what you earn and what you spend, you can experience a true freedom from financial stress.

Rather than “threaten” you into changing your financial habits with negative statistics about potential for stress, let’s focus on the positive benefits you can bring to your life. Some interesting research has found that your

overall well-being is directly influenced by your financial well-being.

The “State of American Well-Being” study uses data collected as part of the Gallup-Sharecare Well-Being Index. The data is distilled from 176,702 interviews across all 50 states.

The following table shows that people who are “thriving” financially also gain positive benefits in many areas of their lives.

	Thriving	Struggling	Suffering
Levels of Financial Well-Being and Relationship to Other Well-Being Items.			
Fresh produce consumption**	62%	57%	52%
Exercise (3 to 7 days in the last week)	58%	51%	46%
Obesity	24%	28%	32%
Depression (currently have or being treated for)	5%	8%	16%
Smoking	12%	15%	24%
In the last 7 days, felt active and productive every day	80%	67%	50%
In the past month, poor health has prevented usual activities	18%	26%	41%
Like what you do every day	89%	77%	55%
Learn or do something interesting every day	76%	65%	51%
Friends and family give you positive energy every day	87%	77%	60%
Satisfied with the city or area where you live	92%	87%	73%

Levels of Financial Well-Being and Relationship to Other Well-Being Items.

Analysis controls for age, gender, race/ethnicity, household income, education level, marital status, number of children in the household, and region.

**Eat 5+ servings of fruits and vegetables 4+ days in last week.