

## Family Budgeting: Be The CFO of Your Household

If you are the head of a household, you are the boss of a fairly complex business. We treasure our families, so admittedly the business is quite personal. Still, we manage our family's profit and loss statement (or P&L). And, we think about procurement ("we're out of toilet paper!"), forecasting ("how much do we need to set aside for braces?"), marketing ("sweetie, eat your little green trees"), and inventory management (turning last night's leftover roasted chicken into a salad for lunch).

Long before I was the "Ten Dollar Dinners" lady on TV, I worked in corporate finance and strategy. My husband and I went from 2 incomes/0 kids to 1 income/4 kids in two years – an impressive ratio flip. Becoming a stay-at-home mom was a tremendous adjustment for us financially (and logistically, emotionally, and other ways I couldn't imagine). Determined to make it work, I cut corners, tightened the proverbial belt, and fretted over every penny I spent. I was stressed, knee-deep in (expensive!) diapers, and found myself wondering if I was making a difference. One day, it hit me: I was taking our personal finances *too personally*. Where was the logical MBA who, undaunted, could find a few million (corporate) dollars in savings before month's end? Hadn't I build a whole career in assigning numbers to the seemingly unquantifiable?

So, I took a very analytical lens to our financial picture, and instead of seeing pay stubs, bills and receipts, I saw them as line items on a corporate P&L. Viewing our family as a company (financially, I mean), devoid of the emotion that I can easily attach to (personal) finances led me to a very logical, obvious point: As a stay-at-home mom, I would not be adding to the revenue lines of the P&L anymore, but I could be an equal financial partner in my marriage by rigorously managing the cost lines. Indeed, working for large corporations, I knew the closer we would get to a quarter-close, the more we (sometimes exclusively) managed to the cost line. So why had I undervalued the impact of meticulous cost management? Perhaps it is less glorious, less in the spotlight than its revenue counterpart. We spend more energy thinking about how much we make than how much we save. Yet the most important line on a P&L is not the revenue line, but the bottom line, net of expenses (hence the term "bottom line" being used to describe what's truly important in any context). When companies need some real results fast (because, say, the quarter isn't looking as bright as Wall Street has predicted and they don't want the stock price to tank in overreaction), they don't scramble to release a new product. Nope. They implement austerity plans. (To be fair, I should point out that indiscriminant cost-cutting, both in the boardroom and in the home, has its own set of risks and problems.)

When I was a stay-at-home mom and the washing machine broke down, the solution wasn't in the revenue line (asking Philippe's boss for a temporary salary hike seemed inappropriate). Instead, I implemented a "clear the pantry" week to recoup a couple hundred bucks, quickly. Why focus on the cost portion of the P&L? Not only are results more immediate, but also they have tremendous impact considering that most savings in the home are calculated in after-tax dollars. So, a penny saved is actually a penny and a half earned (assuming an approximate tax bracket of 30%).

Cost base management may be the unsung hero of the P&L, but marriage and family have instilled in me the joy of being the stagehand with a headset, not just the star of the show. Smart saving and spending with purpose make me feel like I'm a good steward of my resources, a responsible procurer and consumer of goods who cares about the impact of my actions and indulgences. Much like a CEO should be.