



DOLLARS AND SENSE

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Understanding the Definition of Affordability

Learning to focus on the “Big Picture” can help people change financial fortunes in a positive way forever. Unfortunately, most Americans don’t catch this vision in time. Often the ability to be farsighted (or see the big picture) is thwarted by the nearsighted need to spend money right now.

The disease of consumerism contributes to this nearsightedness. Today’s society is being devoured by the need to consume. What’s worse, it doesn’t understand the impact of its consumption. It’s easy to exchange coins for goods and services — it doesn’t take talent or skill — even little kids can spend money. It’s taking control of money that most people find difficult. The childishness of spending money thoughtlessly and without a plan can be attributed to our society’s loss of respect toward money. If you look around, I would wager you could easily find adults who are still acting irresponsibly about money, as if currency could be passed around like paper money from a board game.

One of the best ways to combat this irresponsible and shortsighted behavior is to become more aware of “The Spending Decision.” Each time a person decides to spend money, they ought to consider the following three fundamental elements:

Utility: Do I need or just want this item? Do I like the color, taste, size, power, dependability, performance, etc. of the item?

Availability: Do I have the money available to pay for the item? Do I have cash in my pocket? Can I write a check? Should I use a credit card? Will the bank give me a loan?

Affordability: Can I afford the item? Does it fit into my long-range goals? What impact will this purchase have on my financial future?

Each of these elements should be carefully considered every time you buy something. However, many people do not often give the third element, “affordability,” any real consideration. In fact, most of the time, they think that because they have access to money in the form of cash, check, or loan, that they can afford to purchase something. Nothing could be further from the truth! The most critical question of the three is whether you can afford to make the purchase.

Understanding the definition of affordability will enhance your capacity to see the big picture like nothing else and is essential if you are going to make wise spending decisions.

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