

Your Monthly Nut and Why It Matters



Money is always listed as one of the top reasons for a divorce, and the biggest conflict typically centers around the relatively straightforward issue of cash flow and expenses. Who spends how much on what?

Your “monthly nut” is simply what you and your family spend each month. It is made up of three key pieces:

Fixed expenses – These are your family’s main “operating expenses” – things like housing, utilities, groceries, going out (occasionally), etc. that let you function on a daily basis.

Variable expenses – These expenses are less predictable and, to some degree, less critical: travel, bigger situational clothing purchases, books, furniture, etc.

Debt – This category includes every kind of debt – credit cards, vehicle, homes, etc.

Figuring out a client’s monthly nut has almost become like a game show contest for me. I can usually estimate someone’s monthly nut within \$1000 just by knowing their income and approximate savings.

To be clear: I don’t do budgets. And while I don’t care how much your monthly nut is in the sense that I won’t judge you for the amount you spend (no need to camouflage your enormous wine and comic book costs!), I do care about having an accurate picture of this number. Knowing your monthly nut allows me to properly build all other appropriate financial strategies around this lifestyle, so that you can continue to live a life of abundance.

It’s futile for me (or any other planner, for that matter) to do a deep dive and build a comprehensive financial plan without having a clear idea of what exactly what a family spends per month. Your lifestyle today helps me think about your expenses in the context of building your overarching financial plan, including the right amount of emergency cash and even your needs in retirement.

Emergency cash

How much emergency cash should you have on hand if something unexpected should happen? Think emergency car repairs, meeting a health insurance deductible, the roof gets a leak, etc. The academic answer here is to have at least 90 days of living expenses. But if you plan on buying a car or making another major purchase in the next six months, this account would need additional funds.

It's also been my experience that those in senior leadership positions with bigger companies may need to beef this account up even more. If you're earning over 500K, it can take longer to get a new position with comparable compensation. I've had several clients who had climbed the corporate ladder to nearly the top and, upon leaving their position, found that it took several years before they were able to another one with even 30% of what they had been making. They were hemorrhaging cash during that interval, as they didn't anticipate how long it would take.

Retirement

How can your financial planner run a stress test on how you are tracking for retirement if we don't know where your lifestyle expenses are? It's important that financial professionals know your monthly nut so we can make sure you're saving enough, or in some cases, give you the green light to spend down these assets. If you've worked with a professional before and haven't had to go through this exercise, consider that the analysis you received might not be as accurate as it should be.

Finding your monthly nut is the first step to sound financial planning, no matter what your age or family situation may be. Any financial planner who isn't structuring your plan around an accurate assessment of this figure simply isn't going to be able to provide the benefits you're paying for. It may be intimidating, but don't skip the critical task of tracking and measuring your monthly nut. You can contact me at moore@moorewealthmgmt.com for a free copy of our free Monthly Nut Worksheet to help you get started.