

Presentation on 100 Huntley Street January 12: The 3-M's of a Money Transaction

As a young accountant entering industry over 35 years ago, management's preoccupation trying to manage money, bothered me. I often thought, "why so much emphasis on money rather than behavior to review plans and budgets?" After all, money is inanimate; it can't do anything on its own! Emphasis on money merely encouraged games; folks put forward large budgets and end up with their budget close to what they wanted in the first place!

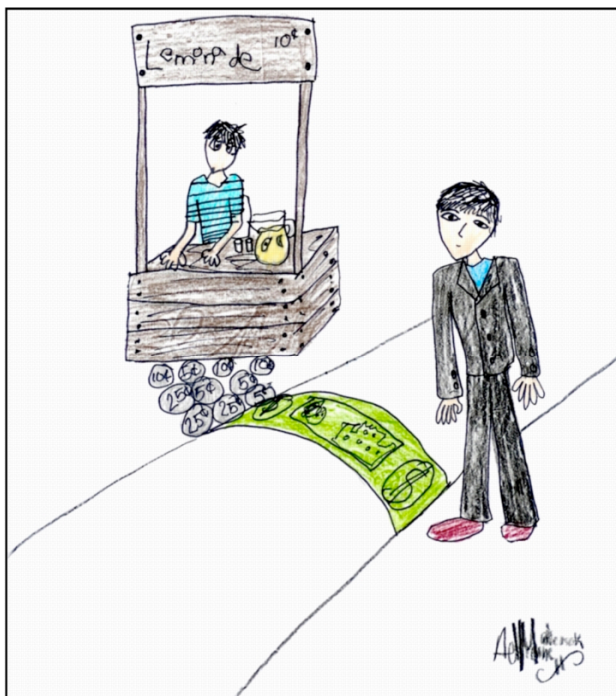
I decided early in my career to concentrate on understanding what I called "spending drivers"; essentially, specific behaviors that caused spending.

My studies at MIT reinforced my skepticism about trying to manage money. I had learned that to manage anything you needed to understand inputs that determined end results. So, if someone spent \$2000 to buy a computer rather than \$1,500 planned, I shouldn't look at the excess \$500 as an issue, but at the procedure and behavior actually followed to spend \$2000 compared to that planned to spend \$1500. As well, I must follow the previously agreed accountability procedure.

I used this thinking during my 32-year business career and it worked. It is even more relevant to personal finances. During almost nine years of teaching and counseling, I realized that focusing on money excluding behavior that caused spending, was useless, and gave false hope to individuals.

Nowadays, what determines what you buy, when you buy, and how you live? For many it's advertising that turn their focus away from goods and services toward payment methods! Have you noticed? The size of available mortgage helps decide where we live – not our accommodation needs. The amount of available car loans or lease payments, decide the transport we buy – not our transport needs. Attractive financing terms decide the furniture we buy, not our needs.

We will get a better understanding of why we spend, if we look at the 3-Ms of a money transaction: *Me*, *Money* and the *Merchant*.



Our challenge is to decide what we can and should manage, and then concentrate on managing it.

Let's look at each *M*:

1. *Me*: I want specific goods or services – a house, long-distance phone access, legal, or tax services.
2. *Merchants*: They want to sell me goods or services created for *Me*; so, through advertising they try to convince *Me* to buy these items. A good example is advertising by pharmaceutical companies. They ask *Me* to tell my doctor to prescribe a specific medicine! And

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then there is ...

3. *Money*: *Money* merely is the bridge between *Me*, and the *Merchant*. It is the means of exchange.

So, if *Merchant* create products and entice *Me* to buy, and *Money* is merely the bridge, what can I manage? The *Merchant*? No! The bridge (*Money*)? No! So, I am left with *Me*! Yes, *Me*!

Like a football coach, I must develop and follow some offensive and defensive plays to lead *Me* to the correct reaction, yes reaction, to the *Merchant*'s never-ending advertising.

Further, I must know and follow the spending transaction's two sequential stages to see *Money*'s role:

1. In the first stage I must answer two questions: What do I want, ideally need, and why? This is to establish the reason to spend, before thinking about *Money*.
2. Only after I agree the reason to spend, I ask the next question: Can I afford to spend now? Later we will discuss these two key stages of the *Money* transaction.

For now, mull over the anatomy of the *Money* transaction: **Two players, a bridge, and two stages.** I can manage only one player, *Me*. If you don't accept this, *Money* will control you as you focus on the wrong item, financing terms.

Because *Money* is a bridge with no intrinsic value, research shows consistently, *Money* cannot buy happiness.

Next time we will show how controlling **MONEY** is more about *ABC*'s than *123*'s!

God bless and remember Jesus loves you.

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