

Your Household CFO

I liked this from [The Next Millionaire Next Door](#) by Thomas Stanley and Sarah Stanley Fallaw:

WANTED: Household CFO

Description: The role of Household CFP is to ensure his/her household is building wealth in order to ultimately achieve financial independence.

The Household CFO will oversee the household's budgeting and financial planning. He/she will be required to create, manage, explain, defend and negotiate household budgets annually, and monitor spending and saving related to said budget. He/she will be required to plan for the financial security and longevity of the family, focusing specifically on retirement planning, college savings planning, and other larger expenses in the foreseeable future. The Household CFO will be required to balance checkbooks, file tax returns, pay bills on time, create financial plans, create estate plans, research investments, monitor investments, and generally run all financial matters for the household. The Household CFO will serve as a check on household spending, and thus will work closely with the following individuals: Household Chief Procurement Officer and his/her team members (read: spouse/self and/or children). The Household CFO may choose to outsource any number of his/her responsibilities to trusted advisors, and therefore, part of the Household CFO job may include the ability to research and hire quality professionals who act in the Household CFO's household's best interests.

The idea of treating your personal finances as a job is a good one because it can be one of the most important aspects of your well-being. One study found almost 65% of Americans feel money is a "somewhat or very significant" source of stress in their lives.

Unfortunately, there aren't any training programs for this role. Personal finance is an afterthought in most schools. It's hard for parents to pass along solid money habits to their children when they themselves don't have their finances in order. And even if someone's parents take care of their finances, the next generation doesn't always follow in the footsteps.

This makes the delegation of responsibilities for household finances difficult because people are often so uncomfortable taking on the role of personal CFO that no one ends up doing the job.

At a bare minimum, you should strive to be in a place where you can reliably answer the following questions:

- What is our net worth?
- What is our household's experience with money?
- Can we afford this?
- Even if we can afford this, should we really be buying it?

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- Do we have a budget and/or sensible spending plan?
- What is important to us when it comes to spending money?
- What areas of our life can we agree to cut back on to prioritize on what's important?
- How will we handle infrequent costs?
- Who is responsible for our bill payment system?
- What is our savings target?
- What are our views on savings, investments, and debt?
- Is everyone on the same page in terms of accomplishing our financial goals?

Answering these questions can involve plenty of thought and effort but once you gain a deeper understanding of your own finances and views about money it *should* make your life easier.

The problem is talking about money is never fun if you don't have your finances figured out so it becomes a chicken or the egg problem.

I've seen households where one person handles every aspect of the family finances. Others split duties where maybe one spouse handles the investments while the other takes care of the more day-to-day financial management. Then there are those situations where all members are heavily involved in managing their household finances.

However this arrangement works the one thing you can't outsource is understanding. You have to understand your financial situation whether one spouse handles everything or you use a financial advisor or delegate duties to different parties within a household.

Communication is one of the more underrated tools involved in any successful financial plan. Outlining everyone's roles when it comes to the Household CFO duties is a good first step.

Source:

[The Next Millionaire Next Door](#)

Further Reading:

[Personal Finance is Personal](#)