

## Coping with personal finances

*"Annual income twenty pounds, annual expenditure nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."*

-- Mr. Micawber in Charles Dickens' *David Copperfield*

Poverty appears to be linked to depression and anxiety, but the relationship is a complicated one. For example, people in poorer countries do not necessarily exhibit higher rates of depression than those in wealthy ones. Further, when a country's fortunes rise (as they have in most western countries since the Great Depression of the 1930s) the rate of depression does not necessarily fall. Indeed, in North America the incidence of depression appears to have gone up since World War II.

Partly it does not seem to be the absolute level of income that is linked to depression. After all, western countries have wealth and a standard of living that most humans throughout history could never have dreamed of. If you are reasonably healthy, have relatively safe housing, and have a secured food supply, you are living a much wealthier life than would have been possible for most of history.

Instead, depression seems linked to the difference between what our culture leads us to expect and what we actually achieve. If the people around you seem able to afford Rolls Royces, then your Toyota may leave you feeling desperately deprived. If on the television shows you watch and in the movies you see the characters all seem to live far more luxurious lives than you do, you may feel impoverished without really knowing why.

*"During the Depression you didn't feel poor because everyone was in the same boat."* So said many of our ancestors. In other words, socioeconomic status (your standing relative to others in your culture) may be more important than the actual buying power of your own money. If you feel you are falling behind others in a way that seems important to you, this can cause distress. (Though keeping up with the Joneses means you buy a lot of stuff that even the Joneses don't really want.)

The other aspect of finance that seems relevant is the idea of financial strain. If, as Mr. Micawber seems to suggest, we spend even a bit *less* than we make, we contribute to our own happiness – even if that means we pass up some possessions. If, on the other hand, we spend even a penny *more* than we make, we contribute to our own misery. The more we overspend, the more intense the financial stress is likely to be. Financial stress is routinely cited by depressed people as a major factor in their day-to-day mood.

Anyone can experience financial stress, regardless of their dollar income or their socioeconomic status. You could live in the priciest home in the city and have the highest income, but still be under tremendous stress if the income failed to pay for the lifestyle. Further, those with less money would have a hard time giving you any sympathy. *"Sell the house and you'd be rich!"* they'd say. *"Give up caviar!"* But the stress you experience would still be real.

Changing your socioeconomic status is difficult and takes a lot of work – without the promise of a sure payoff. Living within your income, however, is available to almost anyone, as is choosing the people to whom you compare yourself. If you compare yourself to Bill Gates, you will always feel poor. If you compare yourself to a television character who has a job like yours, you will still feel frustrated, because television characters are almost always depicted in surroundings more luxurious than they could afford in real life.

Do you feel that you are falling behind, that your income just doesn't measure up? If so, who are you comparing yourself with?

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Can you think of anyone else you could compare yourself to? Is there anyone who makes about what you do (or less) and still seems a) to live within their means, and b) to be happier than you are?

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What about the relationship between what you make (revenue) and what you spend (expenses)? Are you always cash-strapped or in debt (apart, perhaps, from a reasonable mortgage on a home)? Do you depend on a credit line or credit cards to get through the month?

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If you overspend, try to think of ways that you could lower your expenses to match your income. What could you give up? Hint: Most people faced with this question think that every item they spend money on they "couldn't do without" despite the fact that people have done without them for most of human history. Cable television may seem essential for life, for example, but didn't exist until a few decades ago.

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If financial stress is a significant problem for you, consider trying one or more of the following strategies:

- Take out paper and pencil and make a list of all of your expenditures on a monthly or yearly basis. Don't forget taxes. If you get to the end and still can't understand why you don't have money left over, you're not finished. Keep thinking. You'll be surprised what you left out.
- If you're really ambitious, give each item a rating of 0-100 in terms of how much happiness it brought you or whether you could have done without it.
- Seek the help of a reputable debt counselor (your bank or an accountant should be able to recommend one). Know, however, that these individuals aren't magic: getting finances under control inevitably means *spending less*. Prepare yourself.

If you're not sure how to go about simplifying your life, doing without some of your must-haves, and potentially enjoying greater peace of mind, consider reading one of the many books on simplifying your life, such as *Voluntary Simplicity* by Duane Elgin. Oh, and: *Get it at the library.*