John Crane:

Right now with the inflationary environment, if you're using traditional budgets, they're all wrong.

James Robert Lay:

Greetings and hello. I am James Robert Lay. And welcome to episode 231 of the Banking on Digital Growth podcast. And today's episode is part of the Exponential Insight series. And I'm excited to welcome John Crane to the show. John is an author, financial advisor and retirement income planner who has spent two decades providing personalized financial guidance to business professionals, corporate executives, medical specialists, with a comprehensive planning process to identify each client's unique goals. John also has a brand new book out that I look forward to sharing with you today, the dear listener, titled, The One-Number Budget, in which John provides a path forward to reduce the pain, the complexity, and the anxiety that so many account holders at your financial brand or FinTech feel around traditional budgets. Maybe you even feel the same way about budgets, but John will provide you with a path forward. Welcome to the show, John. It is good to share time with you today, buddy.

John Crane:

Thank you. Good to be here. Good to share time with you as well.

James Robert Lay:

It's even better to catch up, because it's been a while since you and I have been able to talk with one another. We are in an executive coaching program, strategic coach together, and COVID happened and we got separated. And so to use the previous 30 minutes just to catch up, I'm truly grateful for that and very excited about what you have going on in your world, both personally and professionally. And before we talk about your brand new book, The One-Number Budget, what's going well for you personally, professionally, it's your pick?

John Crane:

Well, personally coming off of great summer, my wife, she works for AARP and she, after you've been there for seven years, they give you a sabbatical. So she was completely separated for the office for a month and a half. So being able to enjoy that time with her and see her explored during that time was awesome. And then professionally, it's been all about getting this book launched and out into the marketplace. I'm extremely happy and proud of that.

James Robert Lay:

Well, let's talk about this book, because it is a great book. It is super easy to read. I love the title, The One-Number Budget: Why Traditional Budgets Fail and What to do About it? I highly recommend every financial brand leader, whether it's you're the bank, a credit union, a FinTech, read this because the insights that you share, John, are transformative. And I do believe, back to the point of the subtitle. I do believe traditional budgets are failing people. And we're going to talk about that in a bit, but to begin, why write the book? Why take the time? It was so funny and almost serendipitous that my wife happened to be in the studio as you were coming on. And I know that y'all had a very interesting conversation to inspire some action from you, but why write the book and why now?

John Crane:

Sure. So this is my 20th year in the financial services industry. And through those 20 years, I noticed there is a gap. In the financial services industry we don't really tend to talk about cashflow planning and budgeting all that much. We do in the abstract, but at the end of the day, it's really done in the context

of, okay, well we need to get the client saving on a regular basis. And so we need to get them to put $500 a month into some sort of a financial vehicle. And as it relates to the financial vehicle that the financial services professional manages, that's where a lot of the coaching starts and stops unfortunately. So that was one reason that I wanted to write the book, was to provide something to the general public that they could use and implement a great tool to be able to have them, be able to take it and implement it on their own or with an advisor if they so choose.

James Robert Lay:

I think, and we'll talk about that idea about implementing this thinking alone with an advisor, or maybe even with a peer group of sorts. I connected with, really connected with the story that you open up the book with for Moneyball. How does a movie about baseball connect with budgeting? Give us some clarity here.

John Crane:

When I started out in the financial services industry, I built this Excel spreadsheet that had the 20 to 30 different budget line items that everybody thinks about. And I used that spreadsheet for sadly 15 years. And the sadly part is it took me 15 years to realize that my clients hated that spreadsheet. They would fill it out once and then I would never see it again. And if we ever did use it, it was just like we'd fill it in on the fly. It wasn't really accurate. The movie Moneyball is all about using statistics to choose players. And there's this pivotal scene where Jonah Hill, he plays this real strong heady intellectual. He says to the general manager, he's like, it's all about grabbing all these statistics about the players and getting things down to a single number, getting it down to one number. And I said, I guess, embarrassingly on my part, I've seen that movie probably 30 times. I just-.

James Robert Lay:

It's a great film. It really is.

John Crane:

It is. And one of the times I was watching it, I was just like, I don't know why, but I was just like, I made the connection to budgeting. I was like, what if I could get budgeting down to a single number? So that's all clients really had to worry about is it's like, okay, in the back of their heads, if they know that they've got basically $5,000, for example, to get through the next four weeks. And if they just keep their spending below that 5,000, then everything works. I was like that just seems like a much easier way to go. And so that's what spawned it.

James Robert Lay:

I want to dive into this, and let's just rip the bandaid off. Let's get real. Why do traditional budgets fail? You have an entire chapter around this subject, but why? What's the problem with traditional budgets and why do they fail? And I bring this up because through my work as a digital anthropologist, within financial services, working with banks, coaching banks, coaching credit unions, coaching FinTechs, advising them. I look at, there's a lot of effort and emphasis placed on financial "literacy," and a lot of them tie back into traditional budgeting practices, but they keep failing people because it's an epidemic. It's not just a financial crisis. It's an epidemic. As 85% of Americans are feeling some sort of financial stress, something is not working. And I think you've identified the problem here, it's traditional budgets.

John Crane:

Yeah. The traditional budgets fail people for lots of reasons. The primary reason that I think they fail people is, it's too much work. You're talking about 30 to 40 line items that you have to keep up with

every single month. And any one of those could end up being an outlier in any given month. So there's the work aspect of it, but then there's a psychological aspect of it of, you've got somebody that maybe for household stuff, they budget, I don't know, $150 a month because that's the average monthly expense based on the last three years, they feel like, okay, that's a good number. And then they get into the next month and the dishwasher dies. And so now what was supposed to cost 150 cost a thousand and they get to the end of the month and they're negative and it makes them feel bad. And so they're just like, you know what? This stinks.

And right now with the inflationary environment, if you're using traditional budgets, they're all wrong. Whatever you set up two months ago, it's all wrong. And so people, they just don't do it. And that's from personal experience. So I told the story earlier about my spreadsheet. I handed it to them, they just don't want to do it and I get it. And then one other aspect, which I think is important to note is this concept of, for lack of a better term budget shaming, that stuff drives me nuts. You see it mostly from the talking heads on TV, waggling the fingers of people. Here are people that they finally overcome the intimidation of actually calling into the show to get some personalized advice. And what do they do? They get yelled at and made to feel stupid. That's not helpful.

James Robert Lay:

That's a great point. No, it's not helpful at all. And actually money shame, financial shame is real. I think Tammy Lowly has a TED Talk on that subject, but then there was a study done around one out five people. And I don't talking one out of five people, or 20% of people, because it's very hard to quantify that. But if we say one out of five people that you know John, or one out of five people that the dear listener knows personally is struggling with financial shame. That's a real thing. I think of, if you could think of five names off the top of your head, maybe one out of five is struggling with financial shame and you're right. It's like someone works up the courage to confront this crisis only to get shamed back because of their behaviors, because of really their beliefs.

And you mentioned the psychological aspect of traditional budgets, which I want to dive a little bit deeper into, because you talk about, they make you feel like a failure. And then you also talked about, they treat you like a child. And I think that idea of continuously being made to feel like a failure, no one's going to want to continue down a path like that. And then we don't want to be treated like a child. But what about budgeting apps? I know that's been a big thing in the financial brand bank, credit union, even the FinTech space, budgeting apps. How does all of this play into the conversation around why traditional budgets fail and make us feel like a failure?

John Crane:

Sure. So just one last thing on the parental aspect. When I first got started as an advisor and even up until today, when I meet a client for the very first time, not all of them, but a lot of them will come and say, well, I had to get my finances in order before I came to see you. I know we were introduced two years ago, but I had to get everything all set up before I came to see you. And it always puzzled me because I thought that's why you're hiring me is to help you get everything sorted. And it was because they were afraid of John, the parent, what was I going to think of them if they didn't have their finances looking a certain way? And to be honest, I don't think anything. When people come to see, I'm just here to help. So when people come to me and they say that, I always tell them, please don't wait, just come in, let's tackle it together.

To your question about the budgeting apps. They're the same thing. They've taken some of the tactical work out of it, but a lot of the apps, you set them up to talk directly to the bank, the credit cards and all that. So if you get it all set up perfectly and then some of the categories change, or maybe some of your spendings changed. And so if you're not constantly keeping up with it, it doesn't really work. A lot of the things that I share about traditional budgeting, especially from a psychological standpoint, they translate to the technology solution. It's just easier to compile the data, but all the underlying psychological stuff is still there.

James Robert Lay:

And I think that's where the last point that you make in chapter two, which is why all of these traditional budgets have failed us so far and why we continue to feel like a failure. And I want to make this point, if 85% of Americans are feeling financial stress, how many of our internal team members at our bank, at our credit union, at our FinTech feel the exact same way? And then there's a bit of imposter syndrome of, I work in this industry, but I feel like a failure because I just can't get it together. It's the connection between a person's financial wellbeing and their physical wellbeing. And you've shared an anecdotal story here about when you hit your thirties and why traditional budgets fail is they put savings last and that's a dangerous place to be.

What's the connection here within just your own personal journey of health and awareness? I think back to your point, people try to get, it's almost like you try to get in shape before you go see the doctor, but it's the doctor that can provide the clarity into, hey, if you don't make some changes here, you're in for a rude awakening.

John Crane:

Another why budgets fail is the traditional budget really focuses on that particular month. That's where most of the attention is given. And there's not a lot of thought given to the rest of somebody's life, someone's lifetime. And this is where the concept of future self. And I open that first chapter with the poem really comes in is, you put savings last, and let's say it's a thousand dollars that you're planning on saving. Well, then when that dishwasher expense comes in, that I was referencing earlier for a thousand dollars. Well, guess which thousand dollars pays for the new dishwasher? It's the money that you were setting aside for your future self that gets spent today. As far as the personal anecdote that you shared. Yeah, I went to the doctor and I'd been hearing this for years, he's like your cholesterol's a little high. And this doctor got real aggressive he's just like, hey, your cholesterol it's crazy. So we're going to go ahead and put you on the pill. And I was like, oh yeah, cholesterol, I don't take pills. That's real smart. Yeah. I don't take medicine.

He goes, oh, you don't take medicine. Oh, okay. So he continued with our discussion and then he circles back and he's like, hey, do you know that guy in your neighborhood that's 45 years old and really good shape, everybody likes him, and then one day he just drops dead of a heart attack? And I was like, yeah, actually, I've been to that funeral. And he looks at me and he goes, yeah, that's you. What? He goes, yeah. He goes, this cholesterol thing that you just waved me off on. He goes that's where you're headed. He goes, overall you're athletic, you run a little bit here and there, but the way you're eating, it's killing you. So either you get ahold of this or it will get ahold of you. I owe it to my wife. I owe it to my daughter to make sure that I'm here. So, that was the change right there and then.

James Robert Lay:

And I think what that was, and it's a conversation that we've had a few times, is he told you the truth. And even Audrey and I, on the previous episode, we were having a conversation about a book called The Four Agreements. And the first agreement is to be impeccable with your word. The second agreement is don't take anything personally. And I think it's this idea when it comes to some of these conversations, we got to be open. We must be open to hearing the truth, because otherwise we're going to make it up ourselves. And that's where you mentioned the poem about being a thief. What's your take on this? Because I think when you hear about money and being a thief, you think, oh, that's a bank robber, but when it comes to budgeting, it's a great question. Are you being a thief to your future self? And what does that mean?

And let's say you have someone, maybe they're 35 years old and they've had some challenging life circumstances. What does it take to have that type of a conversation to, back to your point, you transformed your behaviors and your habits instead of putting exercise last at the end of the day, you shifted your whole perspective to put exercise first, savings first and a one budget number help with that. But what do you mean by being a thief. And how can someone who maybe is 35 be able to transform their perspective, their beliefs around the subject?

John Crane:

Sure. There's a series of drawings that are in the book that come from a whiteboard talk that I do when I first meet a client to give people the lifetime perspective. And what I talk about in the book is if we just talk about a lifetime as being 90 years and we divide that into three equal parts. The first 30, the middle 30, and then the final 30. And the first 30 being childhood, the middle 30 being your earning years, and then the final 30 being your retirement years. And the first 30 years, I say this in the book and I just kind of throw it away because I'm like, yeah, most of that first 30 years, your parents are paying for most of it. So we'll put that aside. Then we got this middle 30, that's your engine. That's where you're earning all of the money that you need to live for 60 years.

So to say that again, 60 years of living is coming out of 30 years of earning, and that's puts tremendous pressure on those 30 years. But it's my experience in talking with families before they come to see me that they're not really aware of the amount of pressure that 30 is under because they're in the firefight every day of making the bills and kid wants to join the soccer team. And well, we got a vacation coming up and we got to save for college. And so they're trying to deal with these things as they're hitting them, but they don't have the overall perspective of, okay, but these 30 years, this money from these 30 years has to last us for 60.

And one of the things that I do, and it's in the diagram is I'll draw a line right through the middle there at retirement. And I write in big black letters, income stops. And I'm very intentional about saying this. At some point you will receive your last paycheck, after that there aren't anymore. And it's at that point that your balance sheet is going to take over. And is your balance sheet going to sustain you? Is it going to sustain you at the level that you're been accustomed to?

James Robert Lay:

Yeah.

John Crane:

And I think from my vantage point, this cashflow discussion, that cashflow management is the dominant determinant as to whether or not someone's going to have a good financial life. And going back to your first question, why write the book? That's why, it's the most important thing.

James Robert Lay:

I'm curious to get your take on this. And I don't have a definitive perspective myself. And then I want to shift into the opportunities to overcome some of the challenges with traditional budgets and why they fail and why they make us feel like a failure with The One-Number Budget. But first it's our relationship with work, because we're talking about the future self here. And it's, I'm always fascinated with this as a digital anthropologist.

If we look out towards the future and the idea of retirement, and I think a lot of this is from our time in strategic coach, we've reset our perspectives of as long as my brain is healthy and active, I can be a contributing member of society and create some value and probably generate some type of income. I'm going to live to be a 158. That's my number, knowing the exercise that we go through in strategic coach, but for someone who might not necessarily be "entrepreneurial," I think there are a tremendous amount of entrepreneurial opportunities now more than ever before, to augment income and to augment earnings and maybe we'll see a shift, I don't know, maybe it will be that millennial generation who is more comfortable using technology from an entrepreneurial perspective because that's the opportunity there. We're seeing that with gen Z specifically.

Where do you see this possibly playing out? Is there going to be a shift into just the way that we think about retirement as a whole? Because I think a lot of us we think we're going to get to retirement and that's our golden years, and then we're going to live life then. But then it's like, well, I don't know. It's a big philosophical conversation that I'm just, I continuously have with my own self of how is all of this going to transform over the next 30 years? Because in 30 years I will be 71 years old, which I still feel is going to be super young at that point.

John Crane:

Yeah. I think that it ties back to something I was talking about before with the statistics around at age 50, there's a certain percentage that is going to lose jobs and no fault to their own. And I bring that up with clients repeatedly because I want them to understand it's like, look, you got to continually make yourself better. You got to continually be working hard, working on yourself, make yourself better. My first career was in telecommunications and I wanted to be the best.

So I studied all the technology and everything. I was one of the smartest people as it related to all that technology, none of that stuff exists anymore. It's all gone, all gone. But if I hadn't been focusing on evolving myself, then I would've been stuck in 1997 John, and right now I'd be unemployed. So continually making yourself better will lead to those opportunities. Because if you're one of the best at what you do, then you'll be a sought out resource. If you're somebody that's like, hey, I've been a project manager for 20 years and I'm just in my zone, I'm just doing this here in my cube. And you know what? That's great, but you're just not going to stand out to the point where someone's going to seek you out.

James Robert Lay:

Yeah. And it's this idea of what I call exponential growth that I'm writing about in Banking on Change, where when you think about the age of AI and all of the exponential changes that we are going to experience at both a macro and a micro level, I think you can look at that from a place of scarcity and, oh my gosh, this is completely scary. You experience this yourself as a financial advisor going through COVID. Business transformed overnight. You started seeing people through a glass screen and we were talking about that before, but you were able to adapt your mindset and you had a really hard conversation with someone who helped you see things a little bit differently and you needed that. And this is the essence of where you're growing personally, professionally financial coaching, coaching tied to this because how much of the work that you do goes beyond just budgeting? You're actually helping people see things differently and because they see differently, they're going to change their behaviors, their actions of the present moment because their beliefs now are different. What's your take on that?

John Crane:

Yeah. I'm always fascinated by the financial services industry and the breadth or the range of different advisors, because the term financial advisor's unregulated. So it doesn't really mean anything. It doesn't. So some people go to market and they're strictly investment advisors and that's their lane. People go to them, they call themselves a financial advisor, but they're really focused on that niche. Whereas the approach that I wanted to take was I wanted to make impact on families and help families. And so I take a much broader approach and sometimes those conversations, money touches everything. So sometimes those conversations lead outside of money and I just want to help people, desperately want to help people that sometimes I forget my role or I forget my title as financial advisor. When I'm on my game I remember and I'll ask for permission. It's like, hey, we're about to veer off or you've asked me a question that's not really finance. Are you okay with me answering it? And usually after working with someone for a couple years, I've developed the rapport where they'll give me a little bit of latitude.

James Robert Lay:

It's an interesting place for sure when you think about this. So how does all of this connect back to The One-Number Budget? Because I think that gives me so much hope looking ahead towards the future, particularly when right now this decade is going to be a little bit chaotic, but if we can simplify the complexity and money has a tremendously high inherent cognitive load, it is very complex for a lot of people, but it's the idea of just bringing it all the way back down to one number, the one-number budget, what is it? How does it work? And how can we apply this within our own lives? And maybe even look for collaborative opportunities for you with other financial brands to bring this as a tool, as a resource to their account holders.

John Crane:

When you look at the one-number budget, it's a very simple worksheet. And the very first thing I do is I allocate 20% of their gross income going towards long term wealth buildings, specifically retirement. And when I throw out this 20% number, I'm talking about folks that are in their age 30 to 40 bracket. You've got 30 years or pretty darn close to it until you get to retirement. So 20 percent's taken right off the top. And then the second line item on there after I allocate out for wealth building is taxes. And I always will say something like, you may have noticed the IRS is going to take it anyway. So we allocate for taxes and then that gives me what's left for lifestyle, what's available for lifestyle. And it's an annual number at this point. I divide it by 12 to break it into a monthly number. And then I break out what are your two largest monthly expenses?

Now typically for most people, housing is probably their biggest monthly expense. So I allocate for that. I provide a little bit of a guidance and number on that of 15% of gross income is being really the max that

you really want to go for there. And then I leave room for second biggest expense for families with small kids that might be childcare, for my physician clients, student loans is usually in there. And then that gets me down to okay, once I back out those two largest monthly expenses, my one number is what's available for everything else. So what I'll do with folks is when I walk them through that one number budget, is I'll say, okay, we've gotten down to a number of $5,000. So here's my question. Can you get through, if I've already taken out housing and this other thing, can you get through four weeks on $5,000? And I wait.

And if they go, yeah. For all of our other expenses, $5,000, yeah, we can definitely do that. And I'll say, okay, well, if you can do that then, and then I'll come back up to the savings percentage number or now the dollar number. And say, if you can do that, then that means that this is possible. And then we'll look at what are you actually savings? So we'll list everything out from 401k to investment accounts or anything else that they're putting money towards long term retirement. And maybe they find that they're saving at a 12% rate.

And it's like, okay. So, we've got to figure out over time how we're going to get from 12 to 20. And so the sheet is uncovered. This is where my lifestyle range is at. And maybe we're not saving as much as we want to. So now I've got a coaching tool to say, okay, how can we get there? And some people they get so inspired. They're just like, oh yeah, well we can start saving another $10,000 a month. Hold on turbo. You're talking about making a major change to your cash flow. Let's work together on something that's not going to disrupt life, but those are always great conversations.

James Robert Lay:

And so what I'm hearing you share is you've taken a very complex subject. You've broken it down to one page. You've distilled it down even further to one number. And that provides a tremendous amount of clarity. And I think it's the clarity, and then you connected that with another C term that's part of our seven Cs model in banking on change. It provides a coachable tool. And how might someone who is listening think, wow, this is great. Maybe this is something that we could teach our account holders and use as a coachable tool. Where might there be collaborative opportunities just in... And I know I'm future thinking and I love doing this on this podcast, because it's like we can start creating the future just through conversation together here that inspires someone else. But where might there be collaborative opportunities for a dear listener who is like, man, this makes a ton of sense. Could this be something that is taught by others?

John Crane:

It most definitely can be just, you have to have folks that are seeking it out. They've reached their breaking point with the traditional budgeting. They feel like they're not making the progress that they should. The real discussion really has to start with that lifetime perspective. What are they really working towards? What are they really trying to accomplish? Another reason why traditional budgeting doesn't work is savings is talked about in a punitive way. I've had people tell me, it's like, well I don't want to save for retirement because what if I die? All right, well, I can't really answer that.

As far as your listeners are concerned, if I was in a bank or a credit union and was looking to help people manage their cash flow, it's already being done by the 401k companies and it's being done by the IRS. Think about it. The IRS always gets paid. Why? Because they take their money first. They take it out of your paycheck before you even get it. Or you may have felt this way before or you've heard people say it. I love the 401k because they get it before I never see it. So from a bank or credit union standpoint is

helping clients allocate cash flow into the different accounts as their paycheck comes in on direct deposit maybe.

James Robert Lay:

Oh, I'm liking this because I almost see a FinTech play in this as well to where you have an app and you integrate all of your income accounts in like a PFM, but then it actually does the account allocation for you because what we're doing, and now I'm thinking about tiny habits or atomic habits, we're reducing a lot of the frictional workload of having to just do so it becomes autopilot. And then we just get comfortable living with this one number, because that's the world that we can work within right there. If someone is listening to this conversation, where can they get the book?

John Crane:

Sure. So the book is for sale on Amazon, either the ebook Kindle version or Paperback, they can get it there, or they can go to the book website, onenumberbudget.com and they can download a copy of the first chapter, read about the Moneyball piece there. Those are the two ways they can get connected with the book.

James Robert Lay:

And besides the book, I always like to wrap the podcast up on a very practical point. For someone listening, what is the best way for them just thinking about their own unique situation, their own life. How can they maybe begin to think about just the one number budget to apply it? One small, simple step. What would that one small simple step be to guide them forward on their own journey?

John Crane:

One simple step would be is to calculate your savings rate right now, 20% of your gross income. And then I'm adding a step. But to then compare that to what they're saving right now, maybe you're saving at a great rate and you're all set, or maybe you're far off. And if you are far off, when do you want to know? Do you to know now or do you want to know 25 years from now?

James Robert Lay:

Yeah, the faster we can help people gain that clarity in the present moment, the better they off they will be going forward into the future. John, thank you so much for the conversation. Great catching up with you. What is the best way for someone to just reach out, say hello and connect with you to continue the conversation we've started here today?

John Crane:

Onenumberbudget.com. There's a contact page there. Reach out to me there and I will respond.

James Robert Lay:

Connect with John, learn with John, grow with John. John, thanks again for joining me for another episode of Banking on Digital Growth.

John Crane:

Thanks for having me.

James Robert Lay:

As always and until next time be well, do good and make your bed.