

LIVE LIKE A KING WITHOUT GOING BROKE

A SIMPLE GUIDE TO
FINANCIAL
VICTORY



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INTRODUCTION

In school, we spent *years* learning about science, language, math, and social studies from text books, but we spent *very little* time – if at all – on *real* life skills like saving, making, and managing money.

Somehow, we're supposed to just "pick up" how to manage our finances, as if innate to us! The truth is, money management is *not* a skill that we're all born with – it's acquired.

The good news is that you can *easily* learn the skill!

In this guide, we'll go over several key areas including:

- Creating and staying with a budget
- Cutting expenses without sacrificing your lifestyle
- Saving money every day
- Getting out of debt
- Boosting your income
- Refinancing your mortgage
- How to boost your credit score
- Protecting your identity

At the end of each chapter, there are a series of self-reflection questions and action steps. Take some time to answer these questions and implement these steps. After all, your financial success is up to you!

CHAPTER 1:

CREATE A BUDGET

The best way to acquire financial security is to have a sound budget.

With a realistic budget, you can have more money to plan that vacation or buy that awesome big screen TV with the surround sound system. In order to indulge in these luxuries without utterly *destroying* your bank account, you *need* a budget.

Not to worry, though! It's not as bad as it sounds. It's actually quite simple.

HOW MUCH DO I MAKE?

The backbone of any budget is based on how much you make. Even if your income is lower than you'd like, you can still budget successfully, but it's important to know what you have to work with in order to create a balanced budget.

When budgeting, it's critical that you use your *net income* as opposed to the gross, that is, the amount *after* all deductions and taxes. Doing so will give you a more accurate representation about what you have *today*, factoring in what the government takes as deductions.

For all practical purposes, what is being deducted from your paycheck is money that isn't yet available to spend. Then when you file your tax return, treat the refund like a bonus.

If you have a variable paycheck, using a close estimate should suffice in most situations. A realistic estimate can be gathered by totaling your income from the past 3-6 months, and then divide by the income you received in that time.

WHAT ARE MY FIXED EXPENSES?

There's no way around it; we all have bills to pay. Some bills vary from month to month, but there are others that are constant. Many loans are structured so you pay the same amount every month. For example, your car or home payments are *fixed* expenses. Rent and cable bills are also usually the same amount every month.

Some examples of common fixed expenses are:

- Mortgage or rent
- Car payments
- Car insurance
- Property taxes
- Home insurance
- Loans and lines of credit

Take some time to make a list of your fixed expenses and total the result.

WHAT ARE MY VARIABLE EXPENSES?

This is where making a budget gets a little bit tricky. Not every bill is the same amount every month. You don't *always* spend the same amount at the grocery store or on gasoline. It's easy with the fixed expenses, but here there is room for error. Use an average amount of each variable expense for your budget.

The good thing about variable expenses is that you can change them.

As you'll see, reducing these variable charges is a great way to keep more of your hard earned cash.

Some examples of common variable expenses are:

- Car maintenance
- Gas
- Food
- Electricity
- Heating

Take a few minutes to list your variable expenses and total the result. A

good strategy is to go through your recent credit and debit card purchases to see where your money is going.

WHAT ARE NON-ESSENTIAL EXPENSES?

There will always be things that we *want*, but don't necessarily *need*. These types of purchases fit into the *non-essential expenses*. The difficulty here, is that we often confuse what we *want* with what we *need*.

A good test of willpower before making any purchases over, say, \$50 is to ask yourself: "Is this a want or a need?"

If you can't answer that question honestly, then give yourself 24 hours to think about it before making a decision.

Some examples of non-essential expenses are:

- Excessive amounts of clothing and shoes
- Entertainment (i.e. DVDs, movies, books, magazines)
- Video games
- Eating out
- Excessive gift purchases
- “Stuff” you buy because it’s on sale

Make a list of non-essential expenses and their total. Ask yourself: Do I *need* everything on this list? Is there anything I can cut out without losing the lifestyle I desire?

WHAT ARE MY TOTAL EXPENSES?

Write down all your fixed, variable, and non-essential expenses and add up the total. ***This total will be your base expenditure for the month.***

This is the bare minimum you’ll need to make in order to have a balanced budget. If you make more, that’s great. If you don’t make more, then go back and look at your *variable* and *non-essential* expenses, like entertainment, new clothes, or even your grocery or electricity bill, and find ways to lower these charges.

EARN MORE THAN YOU SPEND

The only way to create a workable budget is to adhere to this one simple rule:
Earn more than you spend.

Obviously your goal is to earn a whole lot more than you spend, but if the numbers are close, that's okay; you can still work with that, but a wide gap would be ideal.

Later in this course we'll talk about both cutting costs and boosting income.

SELF-REFLECTION QUESTIONS

1. How much do I spend every month?
2. What are my *variable* and *non-essential* charges? How can I reduce these?
3. What level of income do I need in order to earn more than I spend?

ACTION TIPS

1. Write down your income and expenses on a notepad or use a spreadsheet. Financial software, like Quicken, can be helpful in creating your budget.
2. Come up with as close a figure as possible for your variable expenses like groceries or entertainment.
3. Trim your variable and non-essential expenses until you're spending *less* than you make.

CHAPTER 2:

MAINTAIN & MODIFY YOUR BUDGET

Now that you've examined your income and expenses and created your budget, is it workable for you? ***The best budget is the one that works for you.*** As you use it, feel free to adjust the amounts in the expense categories according to your realistic needs.

For example, if you had designated \$300 per month for gas, but the gas prices rise, you may need to go back and raise the amount in the budget. ***Keep your budget up to date so you can continue to enjoy its benefits.***

Does your budget have workable amounts, but you find that you're still having difficulty staying within your budget? Try the *Envelope Method* to easily keep track of your spending in each category.

THE ENVELOPE METHOD

The Envelope Method requires you to move to a cash-only system. Although this may sound like a challenge, it's really easier than you think!

This technique is an easy 3-step process:

1. **Divide and conquer.** Each payday, ***cash your paycheck at your bank***, then divide the cash into different envelopes for each expense category.
 - For example, label one envelope *Rent* or *Mortgage*, one envelope *Groceries*, one envelope *Car Payment*, and continue in that manner

until you have an envelope for every expense. Include an envelope for daily spending money for things like lunch or parking.

- To determine how much to put into each envelope, look at your monthly budget and then divide the monthly expense by 2 if you get paid twice each month or 4 if you get paid every week. So if you get paid every week and your grocery bill is \$400/month, take \$100 out of each paycheck and put it into the *Groceries* envelope.
2. **Use cash for your expenses.** Once your paycheck is divided up, it's very easy to keep track of your spending. That *Groceries* envelope, for example, is your grocery money for the week. ***Spend it wisely.*** Once you spend the money in that envelope, that's it for that week.
 3. **Effortlessly limit daily spending.** Each day, put the cash from that day's *Spending Money* envelope into your pocket or purse. That's your spending money for the day. ***When it's gone, stop spending!***
 - Making a separate envelope for each day's spending money helps you stay within your budget without having to keep a mental figure of your balance in your mind at all times.

Besides making it easy to limit your spending to the budgeted amount, the Envelope Method also gives you a better sense of your money.

When you pay cash, you're more likely to see the real impact of your spending, even if it's small expenses. As you'll notice, small expenses *really* add up!

TIPS TO REDUCE YOUR EXPENSES

If you find that you're spending more than you make, you have two options:

1. Make more money.
2. Reduce the amount that you spend.

There are many techniques you can implement to bring in more money. These methods are discussed in a later module dedicated to increasing your income.

It's usually more difficult to reduce your *fixed* expenses, though it's not impossible. For example, if you rent an apartment and your lease is about to expire, perhaps you can find an apartment that costs less.

If your cable package features channels you don't use, inquire about changing to a less expensive plan. In the same way, you may be able to reduce your cell phone plan.

Most likely, you'll make cuts in the variable expenses. Things like entertainment, food, gas, and even energy expenses can easily be reduced.

ENERGY SAVINGS

With energy, it's fairly simple to reduce your bill. Turn lights off when you leave the room and switch to more energy efficient bulbs. Unplug your electronic devices when they aren't being used, because they use energy even when they're turned off if they're still plugged in.

If you have some money tucked away, newer models of appliances – like washers, dryers, and refrigerators – are also much more energy efficient and can pay for themselves in energy savings within a relatively short amount of time.

Other expense categories, like food and entertainment, have more options when it comes to saving money.

FOOD SAVINGS

Buying groceries is a necessary expense, but one that you have a lot of control over. A run to the grocery store can be devastating to your wallet if you let it, but it's also one of the best places to save money.

Here are some excellent ways to reduce the amount of money you spend at the grocery store:

1. **Sales.** Most grocery stores usually do a good job of putting everyday items on sale. If you buy the product on a regular basis, you might as well take advantage of the discounted price, and buy it when it's on sale.
 - The savings on each item may not be much, but you'll find that a few cents deducted here and there add up quite quickly.
 - Planning your weekly menu around what's on sale that week can turn into some significant savings.
2. **Savings Card Programs.** Plenty of grocery stores have implemented savings card programs, which give you a wider range of discounts to take advantage of. For many of us, groceries are one of our biggest expenses, so the more ways we can save at the store, the better.
 - On rare occasions, they might even have a blanket discount, like 10% off the total bill, at certain times of the year. ***Watch for these promotions*** so you can make the best use of them.
3. **Coupons.** ***Your most potent weapon against the grocery bill is coupons.*** You can find them in newspapers, flyers, and hundreds more online. These coupons can range from five cents to 100% off the cost of the item. You can't get better than free!
 - While a coupon for a certain product may limit you to one product per coupon, you can often pick up several of that item by simply using a coupon with each item. It's easy to obtain multiple coupons.

- Some stores even double the amount you see on the coupon, so you'll definitely want to look into which stores have such a program because it can add up to big savings very quickly.
 - One thing you don't want to do is underestimate the power of the coupon! ***It's possible to buy two hundred dollars worth of groceries, hand them a stack of coupons, and only end up paying a tiny fraction of the price.*** Ask any cashier if they have customers who do that regularly, and they'll agree!
 - Reducing your grocery bill by hundreds of dollars with coupons is surely a quick way to balance your budget while still eating like royalty!
4. **Stockpiling.** Buying in bulk has become a trend when it comes to grocery shopping. Stores like Sam's Club and Costco thrive on selling items in bulk at a low price. When used in moderation, buying in bulk can be a great way to save money.
- Be careful not to get carried away when shopping in stores that sell in bulk. Plan out what you may be able to use before the expiration date and shop accordingly. Keep in mind, also, the amount of storage space you have available in your home.
 - One of the benefits of stockpiling is that you don't have to go to the grocery store as often. ***Fewer trips to the grocery store saves you time, gas, and grocery money.***
 - You can take advantage of buying in bulk even if you're single. Divide the cost and the spoils of your treasure trip with some friends. This way, all of you can save money and still avoid the inconveniences of stockpiling large amounts of stuff.

When you take advantage of these methods to save money on your regular expenses, it leaves room in your budget to increase your spending in other categories. In turn, staying within your budget becomes a whole lot easier!

SELF-REFLECTION QUESTIONS

1. How can I reduce the amount of energy I use?
2. Do my favorite stores offer deals, discounts, or additional savings on top of coupons?
3. Do I take advantage of the benefits of buying in bulk?

ACTION TIPS

1. Reduce your energy use as much as possible. This helps your wallet as well as the planet.
2. Sign up for savings card programs where you shop regularly.
3. Coupons are a powerful weapon against the grocery register. Find coupons for the items you buy all the time. Remember, the more coupons you have, the more money you'll save!

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