



# **Smart Money Diva Training Series and Inner Circle Training Program**

## **Training Call 7**

September 6, 2012

Call Transcripts

Creating Your Personal Spending Plan

Welcome to the call everyone! This is Maureen Campaiola and our call today is the seventh call for our Money Breakthrough Inner Circle Training Members and the seventh Smart Money Diva Training Call in the Series.

We have a really great call in store today with lots of content so get ready to take lots of notes. There are no handouts for today's call so don't look for them in the archive section on the site.

I ask and appreciate that you do not share this material with anyone. It's intended for you, the program participant and not for others who may need this help but haven't signed up for the program.

Our training today is ***Creating Your Personal Spending Plan.***

Before we move into the content, and there's a lot of content to cover today I want to take care of some quick announcements first.

Our next call is for our Inner Circle Training Members only and is the open Q & A call. This call is scheduled for Tuesday, September 18, 2012. This call is open to help you with any questions about any of the material we have covered to date or if you have a burning money question or issue that you would like to get coaching on. Our last call we had some questions that were sent in and I answered those and posted my response in the forum. It was great to be able to answer these questions for you so if you have more questions please send them to me so I can get them answered for you.

I highly recommend you come to these calls live because it is a fabulous way for you to get coaching from me personally. This type of coaching will really accelerate your learning and your progress as you move through the program and begin to dig deeper and deeper into your financial situation. So please come to the call live if you can. This is a great benefit to you as an Inner Circle Training Member. I really want to be able to help you in any way possible but if you don't come to the Q & A call I can't do that so please try to be there or if you can't but have a question send me the question and I will record the answer and send you all the link.

Another benefit for Inner Circle Members is a special private coaching rate that I've created just for you. If at any time you feel you would like to speak with me privately for a money breakthrough session just email my assistant Lisa she will set up a time to speak with you at the rate I've

created just for members. You can email her at  
[Lisa@BreakThroughYourMoneyBS.com](mailto:Lisa@BreakThroughYourMoneyBS.com).

Our next training call is Thursday, October 4, 2012 at 7PM **Saving as A Means of Getting Out of Debt**

You've heard me say before that money isn't a set in and forget it relationship. What you will be learning here tonight is just the next step in your money training. I want you to think about it like the layers of an onion. We've been peeling the layers, right? As you peel away each layer you go deeper and deeper with your evolution; you move closer and closer toward the core of the issue. That's what happened for me and it will happen for you too if you continue to do the work and consciously think about your money differently.

How's it going with your money journal? Are you reflecting and writing in your journal? I hope so.

Finally, you will be sent the downloadable transcript of this call along with the MP3 file for your records. This way you can refer to them whenever you feel you need a refresher or just want to look something up.

Ok, let's get started with our content!

Meeting your needs is essential to having a healthy relationship with money. Creating your personal monthly spending plan is the next step that gives you the practical application of meeting your needs with the resources you have. This is where you are going to really put into practice and start experiencing true financial recovery. So the goal here is for you to create a specific and detailed plan that connects your past to your future. From the financial life you had to the financial life you want.

So many of my private coaching clients have told me that creating a personal spending plan has been the most valuable aspect of their healing and recovery. What it does is it keeps you out of the fog and brings a level of clarity to your relationship with money. The plan helps you to have less stress and be more excited because you know you're going to make it this month and every other month as long as you use and stick with your plan. Doesn't that sound great?

Additionally one of the most valuable aspects of creating a personal spending plan is that it gives you a way of seeing the consequences of your choices while you still have the time to do something about it. By planning your expenses before you spend the money, you'll eliminate the confusion that often goes hand in hand with living without a plan and the chaos that always happens as a result.

So this is about being proactive not reactive. It's about knowing ahead of time how much money you have available to spend and then making choices about where that money goes month to month. It's about ensuring all your expenses are covered and also spending money on wants too.

Remember a while back I told you the best financial recovery plan includes a balance between spending, saving and investing. This plan ensures you spend and save and invest if you like because you've planned for it.

Here some factors I want you to remember as you begin to envision your financial spending plan:

1. The plan should facilitate a do no harm approach to spending. This means that when you make a purchase you've been thoughtful, know you have the resources available to make the purchase and therefore you enjoy peace and self esteem that goes along with making good decisions. In the end you've done no harm to yourself by spending.
2. A spending plan is NOT a budget. You've got to forget about budgeting and everything you think you know about budgeting to fully appreciate a spending plan. Budgets usually feel restrictive and we don't want you walking feeling like you have noose around your neck and your wallet. Budgets are like what you feel like when you're on a diet and we all know how much diets don't work but lifestyle changes do. That's what a spending plan is - a lifestyle change.
3. A spending plan requires you to stop looking in the rear view mirror. When you drive do you look constantly in your rear view mirror? No, of course not. I don't want you looking back at what you spent but rather plan for your spending.

So with all this in mind remember one more thing – your spending plan occurs and is in place at the beginning of the month. It's your guide for the month. Don't wait to put your plan in place even by a few days. You'll have less money because you will probably already have spent some money and therefore will have less control and less choices available to you.

You don't need any fancy tools to create your financial spending plan. Most of my clients just use their computers and an excel spread sheet to do their planning. That is what I use.

So let's dig into the steps:

### **Step 1: Gather What You Need**

Here is a list of what you will need to create your plan

- Get all your bills together so you are aware of when they are due. Get rid of any duplicate bills that may have come in. You want a clear inventory of what is due.
- Get your monthly tracking sheets out. If you haven't been tracking then get your bank statements and credit card statements.
- Get a calendar.

Set up a comfortable place to work on your personal spending plan.

### **Step 2: Create Your Spending and Income Categories**

Begin by creating a list of all the ways in which you spend money and generate income. If you are tracking you can clearly see this in your tracking forms. If not, make a list from your memory using your other tools as guidance.

Having just the simple and usual categories of rent, food, gasoline and so forth isn't enough. We often forget all the ways in which we spend money regularly like the morning coffee we get every day or the lunch money we give our kids each week. So take the time to make sure all your categories are really flushed out and on your list.

If you are having a hard time coming up with your categories just take some time to brainstorm all the ways in which you spend money or all the ways you would like to spend money. Remember looking at your tracking forms or bank/credit card statements will really help you in this area.

Some of the categories that you come up with will be categories that you spend money on every month while others are categories that are occasional like someone's birthday present or a holiday party.

Periodic expenses can typically get a lot of people in financial trouble. By thinking about and planning for these periodic expenses you can learn to master your money in a way that you could never have done before. These periodic expenses must be part of your overall spending plan. Including them makes the plan work, so don't leave them out.

Check the calendar. What periodic expenses are coming up? Is it your dad's birthday, are your taxes due? Is there something you want that you are planning on purchasing this month? Add the category to your plan.

Now we want to create a list of main categories and a list of subcategories from the list. For example, I have a home category which includes the following subcategory: mortgage/rent, insurance, cable, gas, electric, telephone, household supplies, furniture/decorating, house wares.

The food category is another area I suggest you spend some time developing sub categories for. This is how mine is broken down: groceries, meals out work, and meals out family, coffee.

Do this with all your categories and subcategories.

### **Step 3: Plan Your Monthly Spending and Income**

Now the fun begins! Now you get to go line by line and category by category and fill in the blanks.

As you move through each category and subcategory you are going to ask yourself the following question: "How much money do I think I'll need to spend on this category this month?

Some amounts are fixed and are always the same no matter what, such as your mortgage or car payment. Some amounts are different each month or

even season to season like your gas bill, clothing or health care costs. Some like your periodic expenses only happen occasionally.

So depending on all of the above some of your categories will remain blank and only need to be filled in as they are planned for. Every month will be different from the month before. No two months are ever really the same because of those periodic categories and changes the seasons for example. Remember, because you will be working with the plan during the current month only, include only what you think you will spend in that given month.

Some of your amounts will be exactly based on what is on a bill, others will be guesstimates. Don't fret about this. It doesn't have to be exact or perfect. It's just the start. What I have learned is that the more you plan the more your guesstimates will become more accurate.

You need to also estimate your income. Your income might always be the same, but if you are self employed we all know it varies from month to month. List all the money from all sources as you estimate your income. You have been doing this already if you have been tracking your income on your tracking sheet. If not, do it as part of your planning process. If you transfer money from a savings account into your checking account to pay bills include this money as well.

People who are self employed have a tendency to believe that can't estimate their income. That's just BS. If you disregard all planning you'll end up in the same mess you're in now. So don't skip this step and estimate, guesstimate your income.

So, once you've filled in the blanks. Take a look at the overall plan and take it all in. How are you feeling? If you're feeling worried that the plan won't work then you'll greatly appreciate step 4.

#### **Step 4: Determine If Your Plan Will Work**

So, here's the plan. The plan is still in development. It might not be a workable plan yet. We're going to find that out. If your expenses are exceeding your income then the next step is to adjust your plan so that it does work.

First I want you to do the following:

1. Add together the total amount in each category.
2. Add together all the totals from all the expenses categories.
3. Total the amount in your income category.
4. Subtract the total expenses from the total income.

So, now that you have your figures, does the plan work? If you got a positive number when you subtracted your total spending from your total income than you more than likely have a plan that will work. Great!

It's possible that you may have forgotten some expenses which is really typical when you first develop your plan.

If your expenses exceeded your income then you're probably feeling a wee bit nervous. This is also very common. Again don't worry we will be addressing this in Step 5 of the plan.

Remember one very important thing – the solution to making the plan work does not include whipping out your credit card to make up the difference. That only makes things worse and creates more debt and more of a financial burden.

### **Step 5: Make Adjustments**

As I said before it is very common for the first draft of your monthly spending plan to not work the first few times out. Knowing the shortfall amount at the beginning of the month is far better than realizing it at the end of the month. You still have time to fix it, right? Now is the time to adjust your expenses and income to create a more livable plan.

It's problem solving time!

Just so we are all on the same page...if this is you, I know how you feel. I had to deal with this very issue back in the days when I was wracked with credit card debt and had lost my job. I know what this feels like and I know this planning process works, because it's the same process I use now.

This part of the process allows you to get very focused and very creative to solve the problem of less income, and more expenses on your plan.

So, if the income isn't enough to cover your planned expenses there are two questions to ask:

1. Can I reduce my expenses? And
2. Can I bring in more money?

**Let's look at the first question in more detail:**

**Can I reduce my expenses?**

Get out your plan and go through it line by line to see if you can discover expenses that can be comfortably adjusted or even eliminated all together. Ask yourself as you go through each subcategory if there is a way to meet this need for less or no money?

Don't just start slashing from your plan. This will typically only create a state of deprivation which will start the whole cycle of overspending again. Instead I want you to be really thoughtful here. Ask yourself this question over and over again for each category and subcategory until you covered it all. Spread out your adjustments over all the categories you can until you eliminate the shortfall.

You might be able to eliminate going out to eat and instead invite friends over for a pot luck. Maybe instead of going to the movies you rent a few movies instead. While you might prefer not to have to make these adjustments, you can make them willingly because it helps you go into the month knowing that you have a plan that will and does work.

Understanding your needs is crucial here. If you typically go to dinner every Saturday night with your husband as a way to reconnect after a busy week the expense can really add up. If the need is connection with your husband than what ways can you fill that need for less or no money? The need isn't going out to eat, the need here is connecting with your significant other. Understanding your needs is an important aspect of the readjustment process. Take the time to really look at this when you get to this step.

Make your adjustments doable and realistic. If you are currently eating out for lunch every day it's unlikely that eliminating this and brown bagging it will work in the long run. Instead try eliminating a couple of lunches out this way it's not so drastic.

Let's look at the second question:

### **Can I bring in more money?**

Here is where you can get really creative in trying to bring in more money. The days when I was really broke I had yard sales, sold items on Craig's List and Ebay, got a part time job. I pretty much did anything I could (as long as it was legal) to bring in more money. If you're self employed maybe you need to get out there more and start drumming up more business.

The issue here is to get thinking and moving! You can bring more money in if you stop and think about what might work in your situation.

### **Step 6: Stay Connected to Your Plan**

Plan your work and work your plan...that is in essence what you need to do here in step 6. The plan will only work if you stay connected to it during the month.

Staying connected ensures your start and end each month the way you planned.

You can make changes throughout the month if necessary always being cognizant of your income and expenses.

You can see how closely your actual expenses fit with your plan.

Most importantly you have the security of knowing your progress and ensure you stay connected with your money.

You also get to see if you brought in more money than expected. It gives you the opportunity to make some decisions about what to do with that additional income. If this happens I suggest going back to areas you had previously trimmed in your plan and maybe add some of that money back there instead of just blowing it (which by the way I would never recommend).

One of the most important ways to stay connected to the plan is by recording what's happening or put in other words – tracking.

Pull out your notebook or download the tracking forms I have given you before and start tracking your expenses and income. I don't care when you

do this but please track daily. If you don't, you are bound to forget something. Make this a daily habit.

I want to discuss with you some common challenges that most people face and how to combat them.

1. **Internal resistance:** When you're trying to build a new habit it's really easy to fall victim to the internal struggle to go back to the old ways of doing things. Often negative self talk will creep in and appear in statements like, "This will never work".

You may resist tracking your expenses and income particularly if you feel shame or embarrassment by your expenses. For example, if you are overweight and have to write down you spent money on snacks you may feel ashamed at spending that money. Even though it may be uncomfortable, looking at your habits in black and white reveals the consequences of your money behavior. Small changes add up so just keep plugging away at it.

2. **Self Sabotage:** This is so common when one is on the road to financial recovery so be prepared for it. And, I really believe knowing that this will more than likely happen allows you to recognize it sooner rather than later and to re-adjust sort of speak.

Your self sabotage will be different than mine. Just be mindful of what you are doing, if you stop tracking, if you chuck your spending plan or go on some big shopping spree.

3. **Perfectionism:** The plan doesn't have to be perfect every month. Learning from the imperfections in your plan is just as important as when it's right on target!

### **Step 7: Do A End Month Review**

At the end of the month you're going to check your plan with what actually happened with your money in the month. This is a great self discovery exercise. Comparing the planned with the actual helps you gain clarity about how the spending plan process works. You get to know yourself better and gain skills that help you create spending plans even more effectively.

So, what do you do when your estimates don't match actual expenses? Well, first if you stayed connected to your plan this won't be a major surprise to you and you may have already made modifications to the plan earlier in the month. If you do have a difference it's usually for the following reasons:

1. You're not sure what to allow for certain expenses. You might not really know the cost for certain things or because you haven't been tracking long enough to make accurate estimates. This is normal. Be patient – you'll get it.
2. Something happened that you couldn't anticipate. Circumstances beyond your control happen from time to time. This is why it's so crucial to have a savings account – even a small savings account. We'll go into more detail about savings next month.
3. You spent compulsively without consulting your plan whether you could afford the expense. This is THE most challenging part of any plan because you have to make decisions about spending that you don't like to. It's really easy to give into wants when we don't really understand our needs. But remember the do no harm part of the program?

So there it is – the monthly spending plan. Personalized just for you! If you follow this plan, become more and more aware of where you spend your money and how much money comes into your home, if you evaluate your wants and needs and begin to reflect on your spending coupled with everything else you have learned over the last six months you can really begin to make an impact with your finances.

I hope you get ready and start creating your plan soon!

Have a great night everyone and send me those questions if you can't make the live call in a few weeks.

Good night!