

# Personal Finance

Management Basics

Understand and take control of  
your personal finances

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## Personal Finance Management Education

This document will take you through four important components of financial discipline:

1. Make a budget
2. Cut unnecessary expenses
3. Find ways to save money
4. Tap into side sources of income
5. Continuous personal finance management

Everyone's financial livelihood differs, however, these basic concepts are applicable to anyone who earns income and wants to take control of his/her finances.

# Section 1

## Budgeting

The foundation of your  
personal finance

## Section 1

### **Budgeting**

*The foundation of your personal finance*

For this Section, you will need to gather the following information:

1. Your total monthly income (eg. paycheck stubs, direct deposit information, etc.)
2. All of your monthly bills and expenses – this includes credit card payments (if you do not pay your balance in full each month), mortgage/rent cost, utility expenses, phone bills, food costs per month, clothing costs, school costs, car notes, gas costs, medical costs (health insurance, prescription costs), etc..
3. Your last six months of bank statements for your checking and savings accounts.

Once you have collected these items, you are ready to begin. It is suggested you make a folder and label it something along the lines of “Finance” or “Budget” to keep this information in. You will want to revisit this information on a monthly basis for the next six months to evaluate your progress, and by having all of this information in one location, it will save you retrieval time in the future.

You can [copy this complimentary 6 month Expense Sheet](#) for this exercise. Use **Command + A** on your mac, or **Ctrl + A** on your windows machine, to copy *each tab* in the spreadsheet, then paste it in Google Drive or Excel. This will allow you to use the full spreadsheet. Start with a 6 month expense sheet.

Fill in the expenses in their respective rows for each month. For example, if your car note will probably remain constant, each month the expense will probably be the same. However, for a utility bill that fluctuates, such as natural gas, you will put in the actual bill price under the appropriate month. If one of your expenses is very generalized, such as “school supplies” or “clothing”, then estimate as best as you can. It is always better to round your expenses up if you are not certain. For example, if you believe you may have spent about \$85 on clothes in a given month, round up to \$100 if you do not have receipts to verify your estimation.

Now subtract the Total from the Average column from your monthly income. Use the complimentary tab/sheet provided in the link above. Some individuals will be in the

negative. This means you are living above your means. This is something you will have to correct immediately by re-evaluating your circumstances and adjusting accordingly.

Perhaps you will need to sell your car, get out of a cell phone contract and use a prepaid or pay as you go phone service, or something else along those lines. Being in the negative month after month will only lead to financial ruin unless you learn to live within your means. The saying is true that "If you live above your means today, you will have to live below your means tomorrow."

For those who have some spare income after subtracting their expenses, you will now need to consider the following:

- Does this include retirement savings?
- Do I have adequate funds in my savings account for an emergency?
- Am I expecting an increase in expenses in the next six months?
- Did I include 'entertainment' expenses?

If any of these apply to your situation, make sure you include that in your budget. Some people consider a monthly deposit of \$50/\$100/etc. into his/her savings account as a 'payment' to his/herself. This would be the correct method of thinking - include that amount in your budget.

For the next six months, you will want to carry around a small notebook in your purse, pocket, or car, or use some sort of financial tracking smartphone application. Anytime you make a purchase, obtain a receipt and write the expense in your book or enter into your financial application. At the end of each month, add up your current monthly expense and re-evaluate your expenses. You may have noticed you overlooked an expense, or forgot to include those trips to the coffee shop or sandwich shop in your 'food' expense. You will only make progress if you stick with the adjustment of your budget for the next six months to take into account fluctuations or a change in your spending habits.

It is of the utmost importance to be truthful to yourself about your spending habits. To let an expense slide out of shame or guilt is to allow you to remain in your same financial situation. You cannot expect change if you do nothing different than what you do now.

Also, for the next six months, challenge yourself to the 'cash test'. Once you see what money you have leftover after your monthly expenses, use that to your leverage. For miscellaneous/unnecessary/entertainment expenses, I suggest you find a price point in which you feel comfortable allotting to such expenses. We'll take the example of \$30 per week, per adult in the household. Write that down on your budget sheet, as this would equate to a Misc./Entertainment expense of approximately \$120 per adult, per

month. Then, pull this cash out of your checking account and vow to only use cash for said miscellaneous/entertainment expenses (*or however you see fit to use this, as long as you are documenting it*). By having this reserve of cash on you and having to physically thumb through it and hand it over to a store or venue clerk, you are more aware of your spending. Vow to do this for six months and stick to only spending that amount.

Each month, upon review of your budget, you may find there are other expenses you did not account for. This is to be expected, and this is why it is emphasized that you do so. Some of these unforeseen expenses may be a new transmission in your vehicle, a new computer if yours suddenly crashes, repairs to your house, etc.. Make sure you add this to your list of expenses and re-check the numbers each month.

# Section 2

## Cut Expenses

Eliminate what's unnecessary

## Section 2

### **Cut Expenses**

*Eliminate what's unnecessary*

As you begin evaluating your expenses on a monthly basis and checking your pocket-sized notebook for miscellaneous expenses, you may soon realize that you spend unnecessarily. This means that some of your expenses are costs that are not absolutely necessary and that could save you money, should you address the issue.

A common unnecessary expense is routinely buying coffee or food on the go. This is an extremely easy fix once you get into a routine of avoiding these expenses. Wake up five minutes earlier to brew a mug of joe to take on the go. Premake meals on the weekends or later at night to stock up on reheatable meals and meals to take with you to work. Stock up on snacks to take with you on the go to avoid paying an extra \$5.00+ here and there throughout the week. Once you address your bad habits, make arrangements to replace these habits with cost-effective ones, you will soon see an increase in your monthly reserve.

Do you pay for cable television or streaming services? How often do you actually sit on the couch and watch cable? Are these shows available for free on the internet? A lot of people have begun the transition of ditching cable, an unnecessary expense, and gone the way of free HD television. While it does cost around \$20.00 or \$30.00 for a converter box, this is quite often a one-time fee that is cheaper than one month's worth of cable or a streaming service. A lot of movies and shows stream for free both through this cheaper alternative and also online. No one needs to spend regular, significant amounts of time in front of a television/device (outside of work) anyway!

Apply this alternative mindset to your expenses. Perhaps you have two cars and you truly don't need two. Public transportation is a much cheaper alternative for those who really only use their vehicles to travel to and from work. It will save you a monthly car note, vehicle insurance, gas, oil changes, maintenance, registration fees, plate renewal, etc.. Others have taken the route of the bicycle. Several cities are bicycle friendly. This is a great way to get exercise and save money. Vehicles are a depreciating asset, considering you are not upside down on your loan. If you owe more than the car is worth, you need to find a different solution to your situation.

You may have other expenses you could live without or find alternatives for, such as your cell phone bill - there are many unlimited plans priced between \$25 and \$50 per month. Find your comfort zone in regards to such expenses and find alternatives. Be solution-oriented. There are plenty of options out there, it just takes a little time, research, and creativity on your part.



# Section 3

## Save Money

Get creative

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### Save money

#### *Get creative*

You can only cut back your expenses so far. Most everyone has to pay a monthly mortgage or rent. Everyone has to eat. Everyone eventually needs new clothing. Everyone who works hard, full time needs to decompress and have a bit of fun. Therefore, it is safe to say that once you cut back your unnecessary expenses, you can only go 'up.' Going 'up' refers to an increase in your monthly income. This can be done by receiving a raise at work, or finding ways to supplement your main flow of cash.

Some individuals do tasks for others such as babysitting, pet sitting, raking leaves, mowing lawns, ride sharing on the weekends, etc.. Others become more creative, discover their talents, and find markets for those talents. One such idea could be spending one weekend day doing the grocery shopping for all of your elderly neighbors in exchange for \$15.00 per neighbor (*just make sure you're profiting and not losing*). What talents or skills do you possess? What do you enjoy doing? Is there a way to provide a service or product for a reasonable price? Is there a market for that service or product in your immediate area?

These questions will get you thinking like an entrepreneur. There are not necessarily any right or wrong answers. In fact, you may try something a few times and realize it's not really something you enjoy. The key is to remain creative. Only you know your talents and skills. Likewise, only you know what you enjoy. Find a balance between these and create a side gig for yourself. Remember cable and/or streaming services? Now that your cable and/or streaming services are gone, you are no longer vegging out on the couch, but rather you are saving money and you can use your time in a more constructive manner to earn some side cash.

Once you find one or two ways to generate some side cash, the next step is to determine what to do with that money you earn. It would be counter-productive to go out and spend it all. If you are able to make an extra \$100.00 or \$200.00 per month doing side jobs, then perhaps you have earned the ability to increase your 'entertainment' expense by \$20.00 per month to celebrate. The rest should go towards eliminating your debt. Once your debt is resolved, you can use the extra income for something like a savings account, additional education or training courses, the purchase of a future home, or a nice road bike that you can use instead of always using your vehicle (*as long as you actually use it*).

Creativity is key in everything, and with regard to budgeting and finances, it can allow you to become financially liberated and break you free from the confinements of

debt or living paycheck-to-paycheck.

This is a mindset for you to begin now and continue to nurture. Just like your body needs exercise to stay healthy and fit, your mind needs creativity to prosper, and likewise, your finances will follow suit.

# Section 4

## Creative Spending

Knowledge is power

## Section 4

### **Creative spending**

*Knowledge is power*

Now that you have your budget, you can begin to take note of your spending trends. What do you tend to spend money on often? What do you tend to spend a lot of money on at once? What expenses are foreseeable?

It cannot be emphasized enough how much creativity and research will help you in your journey to financial freedom. Just like spending your money is a job (you have to gather the bills, write the check/issue the payment, make sure it gets paid on time, etc.), so is saving your money. Most of us would rather save it, if possible, and possible it is!

One example of saving money is finding alternatives to the typical brick-and-mortar store. You can often find items in bulk online, such as on Ebay or Amazon. One specific example of this are razors blades. You could try out one of those razor sharpeners to see if that prolongs the life of your existing razor blades. Alternatively, you could find a good deal on bulk razor blades online. This would just take a few moments of your time searching, and perhaps going back to those sites every few days, waiting for a great deal. By planning ahead and in advance, you have the advantage of time. With time, you can research, bid, and find alternatives. This does not just apply to razor blades; it could be paper products, hygiene items, or something else your household commonly uses.

Never buy on impulse. 'Stuff' is just that. It often appears desirable at the moment, but then sits in the back of a closet and gathers dust. Make a list before you go to the store and stick to it. Discipline is everything. If you know you will need a new vehicle or electronic device such as a computer or camera, then plan ahead. Research and compare prices. Find the best possible product for your budget. Buying without researching is a blind purchase. Would you cross the street without looking both ways? Then why would you buy something without checking out at least two other options?

If you are looking to save money on groceries or costly food delivery services, why not learn to make some cheaper and healthier alternatives to the more expensive pre-prepared options? Yes, it takes a bit of time and effort, but it will save you money and you'll learn some new skills. Are you looking to save money on gas? Plan all your trips and errand-running in an efficient and gas-saving route. Need to cut back on 'entertainment' expenses? Have a weekly or biweekly potluck dinner with friends, or have a monthly game night. Get creative! Stay disciplined! Become more motivated to find creative alternatives for your finances!

# Section 5

## Personal Finance Management

Keep it in top-notch shape

## Section 5

### **Personal finance management**

*Keep it in top-notch shape*

Once you've identified your budget, cut down unnecessary expenses, found ways to save money, created supplemental streams to your primary income, it's time to maintain and master your personal finances.

Mastering your personal finances includes:

- Ensuring your rent/mortgage is under  $\frac{1}{3}$  of your income, inclusive of your partner/spouse, per industry standards. Look at the last 6 to 12 months of your income for the most conservative, and consequently safest, assessment.
- Ensuring any vehicle payments are reasonable. Purchase used vehicles, and when possible, in cash.
- Aim to use credit cards strategically: for absolute emergencies or to help improve your credit history. This involves knowing that you can pay off much more than the minimum payment - ideally the entire balance - within the month. While emergencies happen, your goal should be a zero balance with nothing rolling over month-to-month.
- Continue watching any extra expenses and maintaining a frugal mindset to avoid overspending.
- Contribute to a 6 months worth of expenses emergency fund.

Once you have your debt resolved and have a sufficient emergency fund, seek out a Financial Advisor to determine the best way to invest for your future – whether through retirement accounts, investment accounts, or other options suitable to your goals and situation.