

How to Get your Cash Flow Together



Cash Flow – what is it? And why does it matter? Cash flow is the inflow and outflow of money from your life. It can be positive. It can be negative. It can be even. No matter how your cash is flowing, you should know what it is doing and why. Gone are the days of “If I don’t look at it, everything will be fine”. It is time to turn over a new leaf and know what you are doing with your money. Even if your cash flow is more in than out, you should still know what is going out and why.

Quick quiz

- How much money do you need to live each month?
- How much money do you need just to pay the bills each month?
- What would happen to your finances if something in your life changed?

If you hesitated in answering any of those questions then you need a Cash Flow Breakthrough! Here are some basic tips to starting to manage your cash flow. The tasks are simple. They must be done to have an effective cash flow breakthrough. If you are part of a couple that shares responsibility in the finances then go through this list and do the tasks with your partner/spouse.

Add up what is coming in

That is right. You have to know where you receive your money. Get a handle on what is coming in and from where, to know how much can go out. You also need to know whether the income you have is guaranteed or subject to change.

Know what you pay in taxes

And we don’t just mean on April 15th. Look at your paystubs, your social security statements, anything that documents money you have coming in or out. If you get a large tax return, you may be having too much withheld. If that is the case, you should talk to your accountant. Similarly, if you have to pay a lot every year you may want to withhold more.

Add up and categorize what is going out

Know where your money is going. Separate your needs and your wants. Use our Cash Flow worksheet to help determine what categories are right for you. Take your last three months of bank and credit card statements. Add up how much you have spent each month in each category.

Review your spending

Look at the areas you are spending and think about whether or not those things enhance your life. With your discretionary money make sure it is going toward things that make your life better, and stop spending in areas that do not.



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Be realistic about needs and wants

A need is something that is necessary for survival – food, shelter, water. Essentials of life. The needs category is very limited. Wants are the things and the activities that enhance your life. These are the things that you enjoy. Look at the list and make sure you are enjoying them!

Make special plans for special times of year or event

There are certain events or times of year that your spending may be different than the normal pattern. Plan for these times. Save for them and make sure that they extra expenditures do not throw your cash flow plan completely off. Prepare for these times in the months preceding them. If you are going to take a vacation, then start saving months before and pay for the vacation in cash. Don't use the credit cards.

Get household members involved

The numbers don't lie. You now know where you are spending your money. Now enlist the members of your household to determine if the areas you are spending are where the family wants to spend. The resources are limited, so make sure you are using them wisely. There are certain needs that cannot be reduced, but a lot of needs and wants can be worked with. For example, are you using the cable TV channels that you are paying for? Would you rather spend the money on a night at the movies? Even young children can help – teach them the value of money and choices early. Let them know that there is a finite amount of money and involve them in the choice of how to use it.

Follow the 80/20 rule

The 80/20 rule is a way to gauge how much you are saving compared to how much you are bringing in. Since almost every family brings in a different amount of money, this is the best way to see how you are doing. For every dollar brought in by regular income, 20% should go to savings and 80% can go to day to day living expenses. For every dollar brought in by windfalls, like bonuses, gifts, etc., 80% should go to saving and 20% to spend on whatever you would like. If you are in any level of credit card debt, 100% of all windfall money should go directly to having 6-12 months of living expenses. Next, the windfall money should be spent to pay off or reduce credit card debt.

Understand compound interest and how it can work for you

Compound interest is when the money you save (the principal) earns interest and then that interest becomes principal and also earns interest. Understand compound interest and use it to make money. The concept is simple. Save money, invest that money so that it earns money, then the original money plus the money that earned then earns more money.

Do periodic check ups

While you are trying to change your spending, we suggest that you review your cash flow monthly. When you have developed a pattern that works for you and have been able to successfully save for a few months, then a three month check up will do.



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