

Reinvigoration Strategies

By Kay L. Cross, MEd

Face Your Finances

Create a winning budget to gain control of your money—and life.

During one of my presentations at the IDEA Personal Trainer Summit® in New York last October, I made a startling discovery. As I was discussing seven steps to creating a professional in-home training business, I asked, “How many of you have a budget?” Out of more than 60 attendees, only five or six people raised their hands! Why no budget? Maybe these people were making so much money that they could not possibly conceive of being able to spend it all in one month, or maybe they were operating out of fear or denial of what their checkbooks actually said. Perhaps they were never taught how to create and use a budget.

If you, like the attendees in my session, don't have a budget, you can create one now. You can gain control of your money before debt controls you. When you face your finances, create a plan and follow it, you greatly reduce stress and anxiety. Making a plan will actually give you freedom, not put you in chains. The process and results of creating an effective budget are rejuvenating for your business and your personal life. How do you face your finances? By scrutinizing last year's expenses, creating a realistic budget and practicing living in reality.

Scrutinize Personal Expenses

The first step in creating a budget is by far the most time consuming, yet it yields all the essential information you need to build a budget that works. Look at all of your personal expenses for the last year. What you find can be quite revealing. “You mean we actually spent \$75 every month at Starbucks?” or “We spent \$150 per month eating out?”

For your household expenses (any expenditures that are not business related), get out your checkbook and credit card statements for January through December last year and write down every dime you spent in every spending category for the year. Then *create a monthly average* for each category. (Divide the yearly total for that category by 12.) Following are some category examples:

- food
- clothing
- doctor visits and prescriptions
- medical insurance
- rent/mortgage
- taxes and insurance
- utilities
- cable/satellite TV
- home repair/improvement
- gardening/lawn care
- Internet subscription
- all phones (including cell)
- car payment/lease
- car maintenance
- car gas
- dry cleaning
- haircuts
- gifts
- pet care
- travel
- entertainment
- charity/tithing
- savings
- miscellaneous (Try not to put too many expenses into this category. Creating accurate categories will help you see exactly where you are spending your money.)

Examine Business Expenses

If you own a business, repeat the same exercise as above for your business expenditures. Calculate your average monthly expenditures in each category. Following are some category examples:

- rent

- insurance
- leased equipment
- utilities
- all phones (including cell)
- Internet subscription
- website hosting and design
- liability insurance
- memberships
- business promotion (including gifts)
- training and office supplies
- conferences and education
- postage
- marketing
- entertainment
- retirement contributions
- income taxes
- professional services (accountant, attorney, assistant, etc.)

After you have completed this exhaustive process, reward yourself with something inexpensive (\$10 or less) and prepare yourself for the next step.

Generate a Realistic Budget

Now that you are armed with the facts of your actual spending habits for both business and household expenses, it is time for some fun.

1. Get out two pieces of paper, one for creating a household budget and one for creating a business budget. On the left margin of each paper, write the category names you used to examine your expenses. Draw a line down the middle of each paper; on the left side write the heading “Actual,” and on the right jot the heading “Goal.”
2. Begin filling in your actual monthly expenditures on each sheet.
3. Use a third piece of paper to record your average monthly income. In the fitness business, income can fluctuate quite a bit depending on the season. In spite of this, you should be able to figure a minimum average income per month based on last year's income. Use the low number to create your budget. For example, if I *know* I can bring in \$4,500 every month, but I often bring in \$5,000 to \$5,500, I'll use the \$4,500 figure to create my budget and set aside the extra in a temporary savings account that I can draw from in slow months.

4. Compare your take-home pay to your actual expenditures from last year. You may have spent more than you made last year, adding to credit card debt. Vow to yourself to do this no more. You will dig yourself into a hole you can never crawl out of.
5. Create your “goal” budgets by adjusting your actual expenses to your real take-home pay. Start with your business budget. After you figure out your minimum business expense needs per month, you will know exactly how much you have left over for your monthly household budget.
6. Look over your numbers. When finished, you should have two budgets that match rather than exceed your income.

Budgeting = Freedom

My mother taught me years ago, as I went off to college, how to create a budget. It proved to be a critical skill for supporting myself and excelling as a sole proprietor after I graduated from college. I have never known adult life without the boundaries of a budget. While some people see a budget as confining and stifling, I have always known it to be freeing and self-fulfilling. By controlling my spending and saving, I am determining my future. What do I see in my life? Success, happiness, abundance and sharing. May these things also be yours—with the help of a budget—now and in the future.

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TIPS FOR LIVING WITH A REALISTIC BUDGET

Creating a budget does not mean that everything in your life suddenly works like magic. But it does mean you have control over what money comes in and what goes out. You have control over the reality of some day becoming financially independent, debt free and value driven.

I create two new budget plans—one personal and one business—each year, sometimes tweaking them one to two more times during the course of the year. Any extra money I bring in above what I have used to calculate my budget is set aside on my budget spreadsheet as “extra.” When I have a slower month than usual or travel for 2 weeks out of a month, I can draw from this money. Thus, there are no months of fretting when business is slow. It has taken several years to reach this point, but it can be done with careful planning.

It is important to begin living in reality regarding a budget. If you have not started doing so, here are some strategies that can help you:

- Create a budget spreadsheet for each month and carry over the balances or deficits from the previous month.
- If you prefer to do this work on a computer, find software you like that is easy to use. (I like Microsoft Money.)
- Follow your budget in each category. If you find that difficult (using a credit card can be tempting), go to an all-cash basis for several months. During that time, pay for everything with cash or by check. No, you won’t earn frequent-flier miles, but you will quit adding debt and will learn to curb your spending and live within a realistic budget.
- No matter how much you earn, it may never seem to be enough. Live and operate in the present.
- Determine what is most important to you—financial freedom with less “stuff” or keeping up with social pressures and becoming terrifyingly in debt.