



## YOUR CASHFLOW

### 1. Knowing = Calm

We often find that when people take a little time to find out what their cashflow looks like, they become much calmer and less stressed about their finances. It puts them back in control by giving them clarity about what they need to do financially.

### 2. Prepare a Cashflow Document

Preparing a cashflow document enables you to know what's coming in and going out! Start with approximations and work from there. Remember, the first pancake is always lumpy!



### 3. What is Your Income?

How much will you earn this year? Will you earn it in regular weekly, fortnightly or monthly sums (PAYE)? Or will it be more sporadic, with larger sums coming in less frequently (such as for a consultant, or an artist)? It is likely you will have more than one source of income. Income sources include salary, commissions, bonuses, royalties, dividends, tax returns, even inheritances and birthday gifts of cash. The aim is to be clear on where money will be coming from, how much, and when.

### 4. What is Your Cost of Living?

How much does your lifestyle cost? This includes the basics, like food, clothing, transport, and rent/mortgage. It also includes things like overseas holidays, magazine subscriptions, and gifts/donations. Some expenses are almost unnoticed, or unaccounted for, like the cost of the morning coffee, magazines, or cigarettes. It can be a surprise to find out how these things can add up! The aim is for you to be clear on where money will be going to, how much, and when and therefore how much do you have to invest for retirement. Or going the other way... how much do I need for retirement and therefore how can I work my cashflow now to make sure I can achieve this. (Tip: Underestimate income and overestimate expenses when doing your cashflow)

### 5. Earn more? Or Spend Less!

If you are in the red, you have only two positive choices - to earn more, or to spend less (or a bit of both). It's as simple as that. A lot of people these days take a third choice, which is to continue spending more than they earn and putting the rest on their credit card. But it doesn't take long for credit card debts to get out of control, so we don't advise it! You are the product of your choices about money expenditure.

## 6. Make Informed Decisions

Now that you know your cashflow, you can make more informed decisions about your expenditure and earnings. You may decide you need to take on more work or ask for a raise, or on the other hand, you might realise you don't really need that promotion or can take some time off! And you can see how buying a new sofa this month will impact on your cashflow and maybe even your retirement savings plan. You may be able to arrange to pay it in instalments, which may keep your cashflow looking more healthy, or you may decide to do a few extra odd jobs this month so that next month when you buy the lounge you will have the money to pay for it. Or even do you really need that lounge, would the money be better put into superannuation.



## 7. Keep Your Cashflow Updated

Make a note in your diary for a little time a month where you will update your cashflow and ensure that it is still reasonably accurate. Have you got some overtime coming up, where you will be bringing in more money? Have you had an unforeseen expense, like getting the car fixed? Your cashflow will work best for you if you make the commitment to keep it updated every 2-4 weeks!