

[How To Do A Monthly Budget](#)

[0:00:12.0] ST: Welcome Nation to the Financial Rock Star Show. I'm your host, Scott Alan Turner ready to help you get out of debt, save more money and retire early. In the studio with me is producer Katie who can bench press her own bodyweight, I think that's a lie. Today on the show, how to do a monthly budget and I'll be answering your questions about money, business and life. If you have a question you would like answered on the show visit Goaskscott.com

Last time on the show we talked about bad investing ideas and the Oprah effect. If you like Oprah or you don't like Oprah, check that out. Let's rock. Several years ago, we were out boating with some friends, I'm a big fan of wakeboarding, not necessarily good at it but I like to do it. So Katie yells, "Try a backflip," and I did and I ended up tearing my MCL in my knee which put me out of commission for most of the rest of that summer for wake boarding.

A couple of years ago, I was having a private wakeboarding lesson at a cable park, ended up doing a face plant I think, I have no memory of it because I got a concussion. Made another trip to the emergency room, and then a few years ago as well, three weeks before my wonderful trip to Switzerland, this is in 2014, I was at the cable park again doing a rail slide on one of the obstacles out there.

Fell off, sliced my hand open, ended up another trip to the emergency room getting 12 stitches in my hand. What is the moral of the story? Don't wakeboard. No. But at the end of 2015, we had a couple of thousand dollars left over in our yearly budget. I couldn't figure out where this money had come from, where did that come from? I finally went back after going through my records and realized, "Oh, I missed my yearly trip to the emergency room, I didn't have to pay that \$2,000 deductible."

Your budget is a permission to spend, it's a freeing exercise, not a limiting exercise. It is your map, your guide, your course that you follow to get from point A to point B. It's not always perfect as I just explained to you. What's point A? Point A is wherever you are right now. Whether you're in debt, whether you're not in debt, whether you're doing a great job saving, whether you're a multimillionaire, wherever you are.

Now what's point B? Wherever you plan on going. You do know where you're going right? Not necessarily. I didn't know where I was going when I got out of college, I was like most people, I just kind of went, I went along. You're a passenger just along for the ride but you don't know who is driving, you don't know where they're going.

You don't know if you're going to the country, to run into a blizzard or you're going to a beach to find out it's covered in seaweed, you just kind of go along. Or you might be in the driver seat and you decided I want to head out west. I'm going to go with no compass and no map, I've got no snacks and my gas tank's a quarter full or riding near empty. We call that living paycheck to paycheck. You may not even realize you're in a car but you're still moving.

That movement is time and it's ticking away. What is a budget and how does that fit into this trip? Well what works best for most people is called the zero based budget. Each of us has an income. The average family earns \$53,000 a year and after taxes you get about \$3,600, roughly \$3,000 a month. You want to carve up and figure out where did that \$3,000 is going before you spend a single dollar that gets you to the zero based budget.

You've got your income, three grand and you've got your outflows, your expenses, whatever you're going to buy. Income minus expenses should equal to zero. If it's negative that means you're spending too much and you're going in a debt. If it's positive, you got extra money that you haven't allocated anywhere. If you contribute to a 401(k), that's gone from your paycheck, it's just not part of your budget.

You can track it if you like, I never have, I look at my 401(k) balance to see what's in there. I also don't track any pretax income or the amounts taken out for taxes, I don't have a line item in my budget for social security, it's just whatever you take home, that's what you're working with. If you're a contract employee, you better have a budget line for paying quarterly taxes.

Your take home is going to be your entire paycheck so it's different if you're a contractor. What are your budget categories? Well for most people you got saving, you want to pay yourself first. Pay yourself first, that's how you build wealth. Giving,

housing, utilities, food, entertainment, transportation, clothing, debts, got to have a miscellaneous in there, that's the "oops" fund.

Something that you forget about like postage stamps or you need to buy a bunch of batteries from Costco. You don't buy those very frequently but they don't have budget items for them. Your medical category and of course your guitar category, that's just for me.

The categories you have in your budget, they vary from family to family. I have a boat category for our ski boat because we have to have it serviced each year. We had to pay gas on it. You might have a children's activity category if they're playing soccer on the weekends or go on a dance class during the week. You just pick category names that makes sense to you. You don't base your budget on what somebody else is doing. On my website I've got an example budget form if you need help getting started.

Next question, how much for each category? Completely various family to family. If you're starting from scratch, you look at what you're paying now, if you're looking to make a change and where your money goes, you put money towards your needs first. That would be your housing, transportation, utilities, food and then you decide where the money goes in the remaining categories based on your preferences and priorities.

If you want to get out of debt faster, you put more money towards debt. Less towards entertainment and less towards eating out. If you want to keep paying debt forever, you keep spending more money on eating out. Those are choices. You want to retire sooner, you put more towards saving, less towards vacation and moving into a bigger house. After that you add up all your expenses, you subtract them from your income and it should equal zero. If it doesn't equal zero, you got to fix something.

Now, it takes about three months to get it rolling smoothly if you've never budgeted before. That's three months. That's three months. That's three months. It's not going to be perfect the first month or the second or the third. Or remember, at the beginning of my story, years later I've been doing a budget for a long time. It's never perfect if you miss a trip to the ER like I had in the past. But three months to get it working is nothing when you consider you get decades to live.

Getting to our driving example. Imagine wandering the earth, starting today for the rest of your life. You're just wandering, that's what your life looks like without a budget. You don't know where you're going to be eating your next meal, where you're going to be sleeping, if you're going to be under a bridge for the next year, you're just wandering. The budget is going to tell you, "All right, in 16 days we'll be staying at the four seasons," because there it is, it says so in the budget.

We planned it, the money is there, we're good. Now let me touch on giving for a second and the financial freedom series part seven, that episode I explained in detail the impact giving had on my own life. You can research wealthy people and there's a common undertone that the vast majority of them are generous.

They develop their generosity not because they were rich, they will tell you they got rich because of their generosity. My suggestion, practice giving until it just becomes another habit and see what the results are. If you're looking for a recommended percent, 10, if you can't do 10 to five, if you can't do five, do one, if you can do more than 10, do more than 10. Whatever you're comfortable with.

If you want a chief financial freedom, get out of debt, retire early, you must have a spending plan. It will make it a hundred times easier and the plan is the budget. I guarantee, guarantee if you stick with it for 90 days you will feel in control of your money, it was a game changer for me when I first started doing it and I never stopped. Now, on to your questions. Eliot is struggling with sticking to the plan.

[0:08:43.8] E: "I have a blog and document my journey but it's still been a long and winding road, Beatles style. Many of my friends earn more in having fancier lifestyle, it's tempting to get off track when they're going on cruises, going to Vegas, going out to eat at fancy restaurants, all that stuff. One likes to show off but despite earning 50% more than me, I'm way better in shape financially overall."

[0:09:08.6] ST: Eliot's got a blog on his mission, he's documenting how to get rid of \$41,159.35 of debt. He documents his journey. Journaling is a great way to stay on track because it puts you out there if you're doing it online and inspires others. It also holds you accountable because people are going to see you go on outside of your spending plan, they're going to frown upon you, and they'll go, "Hey. Dude, what's up?"

Eliot's paid off \$29,000 on his student loans since starting his blog and \$5,000 on his car loan. So well done sir. I read through your blog, nice work on paying down your debts, sadly, the Financial Rockstar podcast did not make the cut list of things that inspire you. That's okay, I'll blame that on the cat's meowing in too many episodes and screwing up the audio quality.

If you surround yourself with broke people and you've chosen a different path, you are always going to be the odd man out. As you said, you're in better financial shape. Someday they're going to be coming to you for financial advice and they're going to be wishing they hadn't blown all that cash on eating out and traveling.

Unfortunately for some of them, they may not hit that point until years from now. The instant gratification your friends are getting now is going to come back and bite them later. But you've made the wise choice, take those trips when you can afford it and when the debt is paid off. Eat the nice steak, sushi, whatever, when it's not going to set you back. If you want to go out, have a diet coke.

There's always going to be more trips, there's always going to be more opportunities to eat out. There's an endless supply of good restaurants. What there is not more of is time to save money and pay down debt while you are younger. Very, very important to look at the long term which I can tell you are and how you'll be riding high in a couple of years. It's a small sacrifice to make for decades of financial freedom. Showing off is for broke people, you can't show off a giant retirement portfolio and a paid off mortgage.

That is until you hit retirement and everyone else can no longer afford the luxuries that you're going to be able to. Sad but it's true. Remember, when you see that fancy car at the stoplight, it's an awesome car, but it's an awesome car the bank owns. The driver has done nothing but make big payments and gotten a big headache out of it. I'll take my Junky car and my peace of mind every day of the week and I recommend you do the same. Thanks for the question.

Antonio asks:

[0:11:42.6] A: "What is the best place to find a mentor who will be active in your success? I currently work overseas so it's hard to have a mentor in the States unless they are online."

[0:11:51.1] ST: Top athletes, top musicians, top business people all have coaches. Tom Brady of the New England Patriots, love him or hate him, goes back to high school football coach every spring for coaching. Tony Robbins has been a business and personal coach to everyone from Hugh Jackman, the Wolverine, to Oprah Winfrey. These are big name people who turn to him as a coach.

If you can afford to hire a personal coach, it is money well spent, a good place to find a paid coach is to first look at conferences specific to the topic or the industry that you're in. Just look at who the guest speakers are. A lot of them, they're going to have their websites and you should go there and check them out, look at their experience, how successful are they and do they offer coaching because a lot of them do. You can reach out and ask them questions.

You can also ask them for referrals for someone who does offer coaching services. Your next best option is to paid coaching is to join a mastermind group or an accountability group with like minded individuals. When you surround yourself with people who have the same drive, you're essentially multiplying your brain power by the number of people in that group. You have shared experiences, you have shared knowledge that you may not otherwise have access to on your own.

When you surround yourself with those successful people, you will get knowledge about their failures because it's a very open environment and vice versa. You bring your knowledge to the group as well. Your time zone, it's not important, it's not as important as people that surround yourself with. Where do you find a mastermind group? You check out Facebook groups on the subject that you're interested in and you just chat with the people in the group, see what their background is. Are they in a mastermind group, are they interested in joining one?

Some people, a lot of people have no idea what a mastermind group is. It is kind of what it sounds like, it's a group with people putting together their minds to master something. You may have to be the one to facilitate the group, it's not hard. Takes about five minutes a week to set up a group call on some place at Google Hangouts or in an online meeting, everybody hops on, you have an agenda you go through, you may spend 30 minutes to 60 minutes on the call.

If you're trying to lose weight, if you're trying to budget better, get out of debt, make a good habit, break a bad habit and the group is going to get you there faster. That's where joining a Facebook group comes in handy. Let's say you're in a Facebook group and you post the following question, "Hey, I'm looking for a few people to hold me accountable for X, Y, Z." Pick something. You sure to get some people willing to help out because people love to help.

Accountability group, it can be as simple as stating your goals each week and posting if you reach those goals. It's proven when you know a deadline is approaching and you have publicly admitted it that you have succeeded in meeting the deadline or failed, you're much more likely to achieve that deadline than not because there's this mind power, you're under the gun, you got to do it.

And we hate being embarrassed. We'll do whatever it takes to avoid being embarrassed which is usually meeting the goal. Now, the best guitar teacher I ever had wasn't someone I took lessons from in person. It was someone who sent me lesson plans over the Internet. You just got to choose the best coach you can no matter what time zone they might be in. Thanks for the question Antonio.

Shout out to Shaundra from Honolulu Hawaii and Misha for subscribing to the show. If you want your name heard nine, sometimes by 10 listeners — oh hang on a second, Katie's waving at me. No, no, we're backed down to three or four. Okay, if you want your name heard by three sometimes four listeners and my two cats — Katie's waving at me again. Oh never mind, even the cats are not listening anymore.

Okay. Take a screenshot showing you subscribed to the show, email it to Scott@scottalanturner.com and I will give you a big thanks for listening.

[BREAK]

[0:16:07.2] ST: Time for the Bank of America half time show — no. Bank of America will never sponsor this show. Evil Corporation. They're not evil, I just don't like their bullet proof glass at the banking center near me, it's ridiculous. I live in a nice neighborhood, we don't need bullet proof glass. My friend Jeff who I'm in a mastermind group with, how about that? He had a suggestion for a topic on the show.

What he used to do in younger years was when he was going through his business and his income, he has his family set up a deal with, they would live one raise behind. What does it mean? What are you doing when you're living one raise behind? Normally when we get a raise, what do we do? Increase our lifestyle, we increase our spending to match our new income level. We'll go out to eat at nicer restaurants, we'll buy a nicer vehicles, we'll upgrade our home, our clothes.

Everything in our lifestyle across the board will increase to match our new level of income. It's a wealth killer because we're always spending what we earn, that's why people who earn a quarter million, \$500,000, are living paycheck to paycheck because they're buying country club memberships and driving brand new Land Rovers and going to vacation on wherever they go to vacation. Okay?

But if you choose to live one raise behind, the next time your raise comes in and you don't spend it, you save it, it's a forced automatic savings and it builds wealth and then a period from now whenever you get your next raise, well you can spend that and increase your level of living. Living one raise behind, another way to save money. Now, back to your questions, business questions. Eric.

[0:17:51.6] E: "I'm currently struggling with trying to figure out how to make our family based business profitable. I work for my father's air conditioning company, the work is steady, overwhelming in the summer..."

[0:18:00.2] ST: Yeah, because it's hot!

[0:18:03.2] E: "...but accounts receivable never seems to outweigh account payable. We would like to expand more but it seems that the more employees we have in the field, the quicker the money is lost. I'm timid to raise prices across the board but I'm suspicious that doing so may be our only hope.

We have a line of credit that we'd like to take to zero but something always pops up that is unexpected. My personal finances are good, no debt, no mortgage, I've tried budgeting for the business in the past but cannot seem to forecast all the different outflows of the cash that we actually have."

[0:18:33.4] ST: Eric, most business owners spend way too much time in the business and not on the business. Let's explain that. You might spend all of your time managing your employees, managing your schedules ordering stuff from suppliers, handling issues that crop up. You work in the business and you never get the opportunity to work on the business. What is on the business?

Your growth plan, how do we get more sales, what is the long term vision, how are we going to add clients, how are we going to add customers, how are we going to do X, Y, and Z, do these new projects and expansion? That's working on the business compared to working in the business. You might be a solopreneur, a single entrepreneur building custom furniture and you might be as happy as a clam doing that. I can appreciate that. You may not want to be an empire builder, nothing wrong with that, good for you.

Eric, it sounds like you want to be an empire builder. You need to work on the business. Marketing, sales, processes, research, networking. Everything outside of managing the day to day operations in fighting fires that is how you grow a business. With most things, find someone that do what you do and do what they did. Now I was working on a project awhile back on home energy tips for an article I was writing on the website. I came across a website by a company called Horizon services, they're in the same business as you but they're in the northeast.

700 employees they have, that's a lot, that is a big air-conditioning service company. Especially in the northeast, not that hot there. You want to seek out successful people on your space, not necessarily in the same town because they're not going to share their secrets with you. In other areas and ask them for help and call up the owner, ask them for help, pay them to be your mentor if you have to. Investing in yourself and in your business is the best thing you can do as an entrepreneur, sometimes it's better than a 401(k), because the return is greater.

The most bang for your buck is learning from someone who is where you want to be. Find those people that are near or at the top and learn from them. The only way to make more money is to raise prices, as you mentioned, cut costs or sell more, it's all I can do in a business. To sell more, you got to figure out how much time you're working in the business and how much you're working on the business.

If you're like most small business owners, you spend 100% of your time in the business, in the day to day junk. You can't grow a business that way, you have to work on it and to work on it, you have to find ways to delegate tasks. Carve out one to two hours a day just to start with and thinking, "How am I going to grow this business?" And then you implement those ideas.

You want to stay in front of your customers so when spring and fall come around, they're going to be reminded to get their air-conditioning systems checked, you can do that with a monthly newsletter, providing homeowner tips. I get a newsletter every spring and every fall for my home builder for the home that I bought years ago.

They send reminders of stuff to do around the house. You don't want to limit yourself to HVAC. Remind people, "Hey, change your fire alarm batteries too, trim your bushes, here's what you can do for fall planting, expand." Post those tips to social media, slap it on your website, email it out. That's what all those mediums are for. And you can include in there a section for paying for a yearly HVAC contracts. Me personally, I believe in purchasing them and it's a great opportunity for your business.

To cut costs, negotiate with all of your vendors to get better rates right now, today. That's how you're going to cut costs. Examples, your cellphones used for your business, software you might rent, parts suppliers, insurance providers. Pretty much anything you have a bill for that's coming in that you haven't paid, call them up and see if you can get a lower rate or shot for a cheaper alternative, every small business owner should do this.

Every person should do this with the bills that you have. Shop them around and get lower rates. You start doing those things and focus on working on the business instead of in the business, you will find more success. Thanks Eric for the question.

Hey, quick break, back in 30 seconds. I'll be answering more of your questions, you're listening to Scott Alan Turner.

[BREAK]

[0:23:07.0] ST: Hey nation, Scott Alan Turner h ere. Now, for those of you that are my long time listeners, you know I'm not one of those guys in the radio who promotes every product that shows up on their desk, you're never going to hear me try and get you to buy enriched white flour, delicious, recommending you to buy Windows, blue screen of death. No, I have a name to uphold to you, the rock star nation.

But if I were, if I were to recommend something to you, I would tell you about Himalayan cats. No other cat requires as much brushing as a Himalayan. It cans about hours of peaceful time of brushing, brushing, brushing, brushing your Himalayan cat. With all the extra fur you collect, you can stuff your own pillow, saving you money from that expensive down pill you've been considering — win-win.

If you can figure out how to spell Himalayan, type it into Google, tell them Scott Alan Turner sent you.

[CONTINUED]

[0:24:00.1] ST: Welcome back Nation. Jordan from Arkansas writes:

[0:24:04.7] J: "I'm stuck in my small hometown trying to get ahead in my career, currently I don't make enough to live on my own and saving to move to a bigger and better city has been a major struggle. Saving has been an issue because I never understood how to do it, no one would give me advice on it. I just began getting a handle on saving starting this month after a friend cared enough to give me tips on what exactly to do.

Everyone else would tell me to just save, but I didn't know how to or exactly the proper steps to take and save and still have money for food. My problem comes with speeding up my process and that currently searching for ways to have more income. My current pay is inconsistent, I've put myself on a plan where I can deposit money into my savings fund that I call my LA fund — Los Angeles fund. So that by August or September of next year, I'll be able to move on.

I don't know if I'll achieve my savings goal because of my drought months with no work or income, I needed advice on exactly how to plan financially or tips on trying to better my life and career."

[0:25:06.1] ST: Jordan has big city dreams with a small town living. Now, both my wife and I, we grew up in country towns of 2,000 people, quite small. We got out by going to school in much larger cities and then moved to even larger cities after graduating.

I loved growing up in my small town. Jordan, you are right. There aren't usually too many jobs available and if you're in theatre or arts like you are, you got to get out. If you want to make it on Broadway, you can't live in Wyoming for example. If you want to be in a big band, you have to travel to bigger and bigger clubs.

To break it down into three parts, one, how the heck do I get out of here as quickly as possible? Two, what should I do before I move? And three, how do I thrive in Los Angeles when I get there? This applies if you're moving to any city, even if it's a hundred miles away; how do you get out of small town, whatever your country is that you live in.

Now, when I hear August or September, inconsistent pay, drought months, I'm hearing a goal without a date which isn't a goal, it's a wish. So pick a date first and mark it on the calendar. Tape it to your bathroom mirror, your car steering wheel, your iPhone background screen, everywhere and make that date drive every decision in your life so you can fulfill your dreams.

99% of people won't do this and they flounder. August becomes September, which becomes October, which becomes 2017. I would challenge you to get out of dodge by July 5th and enjoy July 4th with the family. Tell everyone you know, this is the date and then you're bound to it. How do you make it happen, you gotta hustle, you're going to have to work the crap jobs and all your free hours to save up for enough money.

In addition to working at your regular job, you should be working a 30 to 40 hours a week extra at odd jobs. Because that's what you lack and what you need, more money. When I grew up in my small town of 2,000, I worked at a restaurant washing dishes, I pump gas at the gas station, I mowed lawns, I painted, I shovelled snow, I was always working and there was always work. You just gotta be willing to do it.

If I can live in a town of 2,000 people and find all those jobs, there's work out there. It's only until you move, it's not forever. You pay a small price temporarily to pay for your dreams. Now what should you be doing right now? You're in an industry, similar to many others, it's just who you know. You got to start networking with your time.

Who do you want to work for, are you going to be teaching, are you going to be performing, are you going to be doing both, where are you going to live? Dig in and do some research, start making friends online so when you show up you will not be — you will be expected, and you will be welcomed.

You'll have the place to stay with people you already know. Research your ideal place to work and perform and find out what's going to take to get there. Talk to the employees, talk to the owners, talk to the performers, check them out on Facebook, LinkedIn and yeah, it's weird to call up total strangers. You have to have a fearless mindset. You have to not worry about rejection.

You have to have the mindset of, "I am Jordan and I can do anything." Now how are you going to thrive? You don't want to be broke, you don't want to be the starving artist/musician/performer. To accomplish that you need to have a simple spending plan. Figure out your monthly expenses, how much you need to cover those expenses and spend less than you earn.

What's the rant, can you take public transportation? Get your spending plan and in place now to know exactly what your basic necessities are going to cost you, your food, transportation, rent and utilities, clothing. Just the basics for your job, nothing extra. If you know your basic expenses, they're going to be \$2,000 a month, you've got to earn \$2,500 to \$3,000 a month to cover that because of the taxes. If you want to concerts, weekend trips, et cetera, then you need to earn even more to keep from going into debt.

Majority of your peers out there, they're going to be in debt, you won't know it but they're going to be in debt, you won't know it but they're going to be in debt, they're going to be living paycheck to paycheck, spending their futures on their credit cards

and they're going to realize later on down the road, "This wasn't the right way to go it." You're game because you're asking me questions as long as you make a plan and follow it.

So I would set aside two or three months of savings so you can pay your bills when you move out there. Most people try to do it on the credit card and it creates a bad situation which is extremely difficult to recover from. Especially for people starting out, no matter what field, it's hard to break out of that cycle.

You want to have a backup plan when you arrive and be prepared to work a side gig until you're full time job supports you. That's part of living the dream, it's part of staying out of financial ruin, the more you have set aside, the less likely you are going to have to go out and work at Starbucks or as a nighttime security guard to make extra money.

When I arrived in Atlanta after graduating school I had about \$2,000 in savings and most of that got burned when I signed the lease on my first apartment with a roommate. Two, three weeks later, no job interviews, I signed up for a bartending school that was my backup plan and then I end up getting hired on as a programmer, you need a backup plan. Your emergency fund can be your backup plan if it's big enough to support you for months on end.

My savings account was not. So I learned to make a martini and pour beer, two skills I have never had to use. You're probably going to need a roommate, that's going to cut down your costs but you can do it. Thanks Jordan and keep after your dreams, too many people let their passions die in their youth, only to look back in retirement with regrets. It's better to try and fail than to never try at all

[BREAK]

[0:31:01.5] ST: All right, in the Facebook community at [Scottalanturner.com/community](http://scottalanturner.com/community). I want to share some cool things that are going on. Some nice notes that we got here. Cynthia says:

[0:31:12.7] C: "My fiancé and I completed our joint budget for when we get married, we also made a plan to pay down debt and found out that we'll be saving thousands of dollars by switching me to his insurance before the birth of our baby."

[0:31:25.1] ST: Sunshine says:

[0:31:26.3] S: "I was able to put \$2,000 towards my student loan."

[0:31:31.4] ST: Congratulations on that. And Megan:

[0:31:33.4] M: "I cashed out a gift card that's been in my wallet too long and will put the amount I get in savings, not the full value but it's better than having it sit unused. I also wrapped up some freelance projects this month and I'm starting a new contract with a new writer soon. Half the money will go towards debt, I'm saving the rest towards taxes next year."

[0:31:52.4] ST: If you want to share your wins, go and learn from others, if you want to be accountable, check out that group on Facebook. Link in the show notes. Those are the words. Next time on the show we're starting a four part series on financial freedom, how to get it, as well as answering more of your questions. That's it for this episode. I'm your host Scott Alan Turner, Rock Star Katie is my producer, all the links mentioned in the show are available in the show notes on [Scottalanturner.com](http://scottalanturner.com). Today's episode is powered by Ben and Jerry's ice cream. Thank you for listening.

[0:32:20.7] ANNOUNCER: Okay nation, for your free copy of the guide, "How to save \$1,000 in one week", simply subscribe to the podcast right now on iTunes and text the word saving to the number 33444 to prove that you did it. Subscribe now to get out of debt. Save more money and retire early. See you next time.

[END]