

- » Analyzing your spending
- » Reviewing your expenses and income
- » Setting financial goals

Chapter **1**

Assessing Where You Are Financially

Raise your hand if you know where your money went last month. According to a survey published by Mint.com in 2020, 65 percent of Americans have no clue where they spent their money in the previous month. Basically, millions of people are saying that their money disappeared without their knowing its whereabouts. No wonder money is considered the number one stressor in today's society! (It's also one of the leading reasons people cite when filing for a divorce.)

Millions of people are in debt, behind in retirement, or just don't have any space in their finances to cover a minor emergency, such as a needed car repair. Many live paycheck to paycheck and don't see a clear way out.

Because you picked up this book, we're going to assume you don't want to be one of those people. One of the key strategies to your newfound success? Finding a budgeting system that works for you. Budgeting is a basic financial concept that doesn't get enough credit for being one of the major parts of financial success.

Having a successful budget helps you accomplish whatever financial goals you may have, whether that's saving money, paying off debt, or something else. Knowing where your money goes and how much you have coming in is key to getting you where you need to be.



REMEMBER

Budgeting tells your money where to go and not the other way around. By properly utilizing a budget, you aren't clueless and wondering where your money goes every month like everyone else.

Taking Inventory of Your Finances: A Spending Analysis

The first part of a new financial you is taking inventory of your finances. You're going to want to know where you're coming from so you can track your progress and pat yourself on the back when you start making actual financial moves.



REMEMBER

By taking inventory of your finances, you can clarify where you stand financially — both good and bad. Here are just a few of the benefits:

- » **You have financial data to review anytime.** When you have actual numbers in front of you, you can assess where you're in good standing and where your finances may need a little work. Maybe you've been a rock star with that employer-matched 401(k) but have done little to pay down your student loans.
- » **You can set realistic monetary goals.** When you know your income and expenses, you know how much is left for goals such as debt repayment or saving for a vacation. It makes it possible to set a timeline for reaching those milestones.
- » **You notice when accounts don't serve your current needs.** You may discover you're paying credit card fees for a card you don't use. An account such as a 529 Savings Plan may no longer be necessary because your child has changed their career goals. Maybe you're not earning enough in an investment vehicle, and that money can better serve you elsewhere. All these small details can add up to money lost.
- » **You can try to pay off debt faster, which can save you money.** By looking over your current liabilities, you may find that you can cut years off your payment timeline by making an additional payment or two. You may also realize that you can consolidate a current loan for a better interest rate.
- » **You can save time with organized finances.** Having all your accounts in one general place you can see, such as a spreadsheet or an online tool, can save you time and stress from having to always track them down individually. You can monitor due dates for debt repayments and check balances in accounts

before any significant financial purchases are made. You also know which financial institution is in charge of what. You may uncover a forgotten bill or two that can still be saved from going into collections. And when any new accounts or bills come in, you can plug them in with the rest. Find ways to organize your records in the later section “Record-keeping systems.”

The following sections are an overview of the first steps of creating your budget.

Make a list of your financial assets and liabilities

Spoiler alert: This step may take a bit longer if you don’t already have some kind of net-worth tracker or don’t currently have all your financial accounts in one place. The following sections give you the basics of assets and liabilities and your options for corralling your financial info in one place.

Assets

Financial assets are anything with a positive financial value. Lots of facets can qualify as shown in Figure 1-1:

- » Checking and savings accounts, the cash you have under the mattress, and any checks you’ve been meaning to cash
- » Money market accounts, your retirement fund at work, pensions, brokerage accounts, company stock shares, treasury bills, and bonds
- » Some life insurance policies
- » Physical items you can *liquidate* (convert into cash), such as your home; your car or other vehicles such as ATVs, motorcycles, or boats; jewelry; collectibles; and anything else that you can sell for a profit. (That fancy purse you keep in a dust jacket that you can sell tomorrow for a few hundred dollars? Put that on the list, too.)



TIP

Make sure accounts such as financial assets have a beneficiary listed so your heirs have easy access. Having a will or trust is highly recommended because you never know what tomorrow will bring. Still, these can go to probate and can make your assets inaccessible to your beneficiaries for an extended period of time. You also want to ensure that your will is detailed so there’s no question of who inherits what. A clear and precise estate plan helps your loved ones focus on healing instead. See Book 7 for more information about estate planning.

Financial Asset Checklist

Traditional Banking

- ☐ Checking account
- ☐ Premium checking account
- ☐ Business checking account
- ☐ Rewards checking account
- ☐ Savings account
- ☐ High-yield savings accounts
- ☐ Money market account
- ☐ Certificates of deposit (CD)
- ☐ Prepaid cards
- ☐ Cash on hand

Retirement

- ☐ Traditional IRA
- ☐ Roth IRA
- ☐ 401(k)
- ☐ SIMPLE 401(k)
- ☐ 403(b)
- ☐ SIMPLE IRA plans
- ☐ SEP Plans (employee pensions)
- ☐ SARSEP Plans
- ☐ Federal government pension
- ☐ 457 plans

Brokerage

- ☐ Stocks
- ☐ Mutual funds
- ☐ Index funds
- ☐ Exchange-traded funds (ETFs)
- ☐ Government-issued bonds
- ☐ Corporate bonds
- ☐ Commodities
- ☐ Real Estate Investment Trusts (REITs)

College

- ☐ 529 Savings Plan
- ☐ Coverdell account
- ☐ Uniform Gift to Minor Accounts (UGMA)

Physical

- ☐ Real estate (primary residence)
- ☐ Real estate (rental properties)
- ☐ Vehicles (both primary and other)
- ☐ Jewelry
- ☐ Art and collectibles
- ☐ Life insurance policies
- ☐ Gold and other precious metals

FIGURE 1-1:
A few suggestions
of what to
consider a
financial asset.

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Liabilities

Your *financial liabilities* are anything you owe money on. Your home is considered a positive financial asset (see the preceding section), but the mortgage you owe isn't. Other types of housing debt can include a second mortgage, a rental agreement, or property taxes.

Other financial liabilities include the following:

- » Loans on other items you financed, such as your car or education
- » Personal loans from a financial institution or family friend
- » Credit cards that currently have a balance
- » Other outstanding debt such as medical bills

Even unpaid taxes, fines you owe a court, or child support can be considered financial liabilities.

Record-keeping systems

After you've made a list of all assets and liabilities off the top of your head (see the two preceding sections), track down any paperwork and/or information necessary to create an online account so that you can log into the accounts. Next, you need to decide how you want to keep all your financial documentation where it's not only safe but also accessible in case of an emergency.



TIP

You may choose to save your information in a spreadsheet program such as Microsoft Excel or enter all your information into an online tool. Another part of your record-keeping system should involve taking care of your physical paperwork. Having stacks of paper everywhere isn't helpful. You can store your paperwork in folders within a file box or filing cabinet; if you prefer a more minimalist approach, you can purchase a scanner, upload your paperwork to your computer, and discard the documents in a safe and secure manner.

Review your spending for the past three months

Anytime you're attempting a new goal, doing some research is a great idea. So for the second step to creating a budget, you need to review (research) the past three months of your spending habits. Where do you even start? Easy: your bank statements. Your bank has a lot of helpful information, including the option to see where your money is coming from and where it's flowing out.



TIP

Check whether your bank has a spending analysis tool. Such tools automatically break spending into categories, show what you spend, and then give an overall percentage of where your money went for the month. This kind of resource can be a great place to start to see your spending in action.

Open a new spreadsheet on your computer or grab a pen and a piece of paper. Start to look over every expense you have. First, write down any expenses that are the same amount every month, such as your rent or mortgage, Internet bill, car payment and insurance, streaming services, and any other expenses that rarely change unless you make a specific change to your service, such as upgrading a tier.

Next, look over your spending that can vary from month to month. Items under this type of spending can be groceries, dining out, gas for your car, and any entertainment expenses while having fun with your friends or family. You can list them individually by category. If this approach seems too overwhelming, or you buy different types of items in one general place, group the transactions by store (see Figure 1-2).

FIGURE 1-2:
A spreadsheet
that displays how
you track your
spending.

	A	B	C	D	E
1	Expense	Category	Amount		
2	Rent	Living Expenses	1200		
3	Target	Groceries	57.43		
4	Netflix	Entertainment	14.99		
5	Gas	Transportation	20		
6	Target	Household Items	14.87		
7	Amazon	Clothing	35.78		
8	Chewy	Pet Items	40.99		
9	Uber Eats	Dining Out	25		
10					

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TIP

When looking over your spending, don't forget to look at where you're using your credit cards and any apps you use to transfer money, such as Venmo or PayPal. You can easily see these transactions while reviewing your bank statements, but they often don't list the retailer or item. For example, you may use your PayPal account when you buy anything through your favorite food delivery service. Your checking account then has a lot of PayPal transactions but doesn't categorize them automatically into "dining out." You have to review the transaction in your actual PayPal account.

After you go over the past three months of your spending habits, you notice trends. You may see that you spent more money than you imagined on dining out or mindlessly shopping online. You see how those \$5 transactions here and there add up over time, and probably to an amount you didn't realize. You may also be pleasantly surprised at how little you spent and are able to congratulate yourself on keeping your expenses down.



REMEMBER

Money can be emotional, and when you realize you wasted some of it, you can quickly feel like crap. But guess what? Money flows in and out. It's not gone forever and can find its way back to you. It's up to you where it goes next.

Seeing Where Your Money Goes: Your Expenses

Your money goes to various places, and hopefully, you've done a spending analysis (as described earlier in this chapter) to show you where. You most likely discovered spending patterns. Some of the patterns may surprise you, while other patterns don't. If you're anything like us, you realized you've spent way too much in a category, such as takeout coffee. (Mmm, lattes.) That's okay.



TIP

If you haven't already completed the spending analysis laid out earlier in this chapter, hit pause on this section and go do that. The info from your analysis makes breaking down your personal expenses so much easier.

Just know that your new budget has three components:

- » Expenses (how much money you're spending)
- » Income (how much money you have coming in)
- » Financial goals (feats you want to accomplish, such as paying down debt or saving for something in the future)

All three are imperative to how your new future budget affects your financial life. In fact, they're equally important to be financially aware of. Your expenses can affect how much income you need to bring in, which determines whether you can accomplish your goals by working one regular full-time job or whether you also need to get a part-time job or a side gig. Your income determines how much money you can spend on your lifestyle or put toward your future, such as retirement. It's all related, so the sooner you figure out what you need to pay and what you want to accomplish, the faster a budget can work for you.



REMEMBER

Like anything in life, you're trying to improve; things may get worse before they get better. Finding where you are in life can be discouraging. Who in their right mind wants to feel discouraged? Not us, and we can imagine the feeling is mutual. But remember this: You're taking positive steps to change your finances. These steps can have a cascading effect and change all areas of your life for the better. We want you to live a good life, and we hope you want that too.

Identifying fixed expenses

Fixed expenses are expenses that are the same amount of money every billing period, such as paying your rent or mortgage. Most fixed expenses are paid monthly, but some are weekly, quarterly, or annually. For example, you pay for your car registration every year, but you pay monthly for car insurance. Weekly fixed expenses may include items such as a parking pass. Figure 1-3 shows various examples of fixed expenses.

Fixed Expenses	
Household	Medical
☐ Rent	☐ Health insurance premiums
☐ Mortgage	☐ Insurance co-pays
☐ Property taxes	☐ Flexible Spending Account
☐ HOA fees	☐ Health Saving Account
☐ Rental or Homeowners insurance	☐ Therapy
☐ Internet	☐ Prescriptions
☐ Electricity	
☐ Water	Work
☐ Cellphone	☐ Public transportation
☐ Gas	☐ Parking
Debt	☐ Professional association fees
☐ Auto loan	☐ Professional development classes
☐ Student loans	☐ Conferences/networking events
☐ Personal loans	
☐ Debt settlements	Personal
☐ Medical bills	☐ Gym
☐ Government agencies	☐ Subscriptions
☐ Court-ordered debt	☐ Memberships
Financial	☐ Streaming services
☐ Automobile Insurance	Children
☐ Life Insurance	☐ Childcare
☐ Disability Insurance	☐ Tuition
☐ Retirement contributions	☐ 529 and Coverdell savings accounts
☐ Banking fees	☐ After school activities

FIGURE 1-3:
Spending
categories that
are considered
fixed expenses.

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After you understand what a fixed expense is, you're ready to evaluate what you need to spend money on every month.

1. Complete a spending analysis (as explained earlier in this chapter).

Because you divide your spending into categories, you should see a recurring theme with how much you spend each month on certain items or necessary expenses.

2. Make a list of your fixed expenses.

Examples can include your rent, utilities, gym memberships, or fun purchases such as subscription boxes or streaming services.

3. Add up the total costs for these fixed expenses each month over the previous three months.

You now clearly see how much you spend every month on your fixed expenses. You can even divide this amount per paycheck if you feel like getting creative. (That may hurt your feelings, so be careful how far you want to dig.)

4. Evaluate whether you need those fixed expenses.

Now's the time to see whether all your fixed expenses are necessary. Do you need to be spending money on a gym membership every month, or can you find a cheaper way to work out, such as utilizing local running trails? If you sign up to get monthly items or deliveries, do you have the option to pause them and work through your current supply instead?



REMEMBER

Make sure you ask questions about your larger fixed expenses, too — not just the minor ones. Rent may be costing you more of your take-home pay than you realize you're comfortable with. Moving can be expensive, so we're not suggesting you randomly decide to change apartments, but do make a note to research other living arrangements when you get closer to the end of your lease.



TIP

Just because an expense is fixed doesn't mean you can't find a way to lower the costs.

- » See whether you can save money by switching to purchasing items quarterly rather than monthly.
- » Call your providers, such as cellphone or Internet, to see whether you qualify for any discounts or loyalty rates.
- » Research competitors for insurance policies: healthcare, automobile, renters or homeowners, and life.
- » Consider switching to different tiers of subscription services, such as home streaming networks.

- » Take advantage of apps that provide coupons, cash back on your purchases, and price match for the best deal.
- » Install web browser extensions that help you shop a bit more savvily and save you some extra cash.
- » Check to see whether your bank offers you cash back for using your debit card.



TIP

Call your service providers to see whether they offer a loyalty rate or discount you may qualify for. Companies want to keep their customers, and if they know you're looking to jump ship, they'll be happy to assist. Some companies and service providers even offer discounts for students, public servants, or those in the military. If your current provider doesn't have anything for you, look to see whether another provider can better fit your needs. A switch may be a way to free up some additional room in your budget so you can breathe. It doesn't hurt to ask. The worst they can do is say no and have you keep paying what you already are.

You can even discuss options with your landlord or mortgage company. Nothing is off the table; the more money you can free up, the more you have to save for your goals or spend on experiences that bring value to your life.

Allowing for variable expenses

Variable expenses, or *variable costs*, are different from fixed expenses (see the preceding section). Variable expenses are different from month to month and may be items you regularly purchase or ones you buy only occasionally (see Figure 1-4). Common variable expenses include the following:

- » Groceries
- » Gas for your car
- » Food for your pets
- » Items for any hobbies
- » Personal care items such as hygiene products or makeup

These types of expenses can be more challenging for you to track. Depending on the time of year or stage of your life, your spending in these categories can fluctuate. You may spend nearly nothing in a category like household items one month and then easily spend a few hundred dollars there the next month. You may spend a lot more money during the holiday season between purchasing gifts and travel-associated costs.

FIGURE 1-4:
Spending
categories that
are variable
expenses.

Variable Expenses	
Food ☐ Groceries ☐ Dining Out ☐ Lunch (work and school) ☐ Coffee	Household ☐ Pet food ☐ Other pet expenses ☐ Cleaning supplies ☐ Decor ☐ Clothing ☐ Personal grooming ☐ Child expenses such as diapers or formula ☐ School field trips and other extracurricular activities
Transportation ☐ Gas ☐ Tolls ☐ Oil changes and other car maintenance ☐ Car repairs ☐ Registration and other fees ☐ Rideshares	
Entertainment ☐ Concerts ☐ Alcohol ☐ Books ☐ Hobbies ☐ Games for family ☐ Admission to movies or museums	

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REMEMBER

Because variable expenses are less predictable, assigning a monetary value of what you should spend per month can be frustrating and challenging. You may have control over some of them but not for others, and that's okay. You may get easily flustered when a category spikes and initially throws everything you had planned off course. You're going to figure this all out, too, and we're here to help every step of the way.

Needs and wants

Variable expenses include both needs and wants. You can't just opt out of a lot of your variable spending. You have to purchase items such as medicine, and you have to eat.

Generally speaking, *needs* include food, gas to get to and from work if you commute, clothing, and so on. *Wants* are items such as getting the newest cellphone when your current one is perfectly usable or spending money on experiences like concerts or dining out.



Just because you can't avoid purchasing some items doesn't mean you can't still save money. One of the ways you can cut your variable expenses is to consider lower-priced alternatives to your usual purchases.

Say you're in the market for foundation because your old bottle is empty. Instead of going to an expensive makeup counter to purchase your usual foundation, try to find a similar product from a different brand that's a lower price. In this example, the high-end foundation is considered a want because you can find less-expensive brands of foundation. But regardless of what some may say, foundation can be a need based on your own comfort and personal preference.

The difference between needs and wants can get murky quickly, especially because one person's want may genuinely be another person's need (see Figure 1-5). Spending money on your wants is perfectly okay; you just need to figure out how to budget for them properly. The 50/30/20 budgeting method, for example, enables you to categorize most of your expenses based on your needs (50 percent of your income) and wants (30 percent of your income); the remaining 20 percent goes toward savings and debt.

Needs versus Wants	
Needs	
☐ Rent	☐ Prescriptions
☐ Mortgage	☐ Therapy
☐ HOA/property taxes	☐ Groceries (essentials to feed you and your family)
☐ Homeowner/rental insurance	☐ Auto insurance
☐ Internet	☐ Car payment
☐ Electricity	☐ Other debt with current payment arrangement
☐ Water	☐ Pet food and other essentials
☐ Gas for work	☐ Child expenses such as diapers or formula
☐ Public transportation for work	☐ Childcare
☐ Health insurance	
Wants	
☐ Dining Out	☐ Admission to museums, concerts, or other events
☐ Alcohol	☐ Personal grooming services
☐ Travel	☐ Travel
☐ Home décor	☐ Nonessential electronics
☐ Nonessential clothing	
☐ Subscriptions	
☐ Streaming services	

FIGURE 1-5:
A list of what expenses are needs and wants.



REMEMBER

Voluntarily spending money on nonessential items or items that are categorized as wants rather than needs is called *discretionary spending*.



REMEMBER

Be realistic when determining your wants and needs. Suppose you have a specific life situation that requires you to spend a bit more on your variable expenses. Perhaps you have several chronic health conditions. Some expenses may help you manage your quality of life on days when you can't get out of bed, such as ordering takeout so you don't have to spend energy preparing a meal. You may hate admitting that you need to pay more in a specific budget category, such as dining out, than people say you should. But guess what? When you're realistic, that's what keeps you under budget every month.

Value-based spending

One more idea to help save you money and curb your expenses is to evaluate whether your current spending is *value-based* (rooted in the items you value in life) or a result of trying to keep up with your friends and family. Maybe you didn't want to be the only one left out of a vacation, but you really don't want to visit that destination. Or maybe you convinced yourself that life will be infinitely better if you just buy whatever product your favorite influencer recommends. (We're guilty of this; we almost bought cool bathroom containers before we realized what we really needed was just to do a massive purge.)

TECHNICAL
STUFF

If you don't know what your values are, that's okay. A lot of free surveys online can help you figure it out. The Barrett Values Centre provides a free Personal Values Assessment quiz online, found at www.valuescentre.com/tools-assessments/pva.

Knowing Where Your Money Comes From: Your Income

Your *income* is an essential component of your budget. Knowing how much money you have coming in can ensure your expenses don't exceed your income. It can also help you set realistic goals for all areas of your life that relate to your finances and perhaps even quality of life. You may realize you have more income than you initially thought you had, or a spending deficit that means you need to find ways to either cut back or earn more.



REMEMBER

When discussing your income, one dollar amount you need to keep in mind is your *net pay*, also referred to as *disposable income*. Net pay is the amount of money left over after any withholdings you may be subjected to, such as taxes (federal and state if your residence requires it), Social Security, Medicare, and any wage

garnishments you may be paying off. It's important to consider because it's the amount of money you use to budget every month. It's the money you have to put toward your goals, pay your bills, and cover your variable expenses.

Depending on a monthly income

The first type of income you should consider is what you earn monthly to cover all your expenses. *Monthly income* can come from various sources. While it can be consistent dependent on your income type, it can also be different from month to month. Here's a list of different types of monthly income you can earn:



REMEMBER

» **Income from full-time and/or part-time employment:** This income you receive from an employer that has you on its payroll and that you regularly trade your time to for money. Some jobs pay a flat amount of money per paycheck, known as a *salary*, and others may pay an hourly *wage*. Hourly income can fluctuate because the hours you work may vary, while a salary doesn't.

» **Income as a self-employed freelancer or consultant:** Freelancers and contractors make variable income depending on what's on their roster. Both are considered self-employed, but the main difference is the number of clients and the type of projects they're currently working on. *Freelancers* balance more than one client and work on projects with a short timeline. *Contractors* take on more significant projects with one main client and do smaller work for several.

At different times in your life, you may prefer different compensation structures, and no one approach is right or wrong.

» **Pensions and other paid retirement plans:** A *pension* is a type of retirement program that an employee, an employer, or both pay into. The plan pays a fixed sum to the employee at regular intervals on retirement. Each employer decides on a compensation formula approved by the U.S. Department of Labor. Some pensions require you to work for the company for a certain number of years before you're eligible (or *vested*). Federal, state, and local government or other public sectors also allow for paid retirement plans.

» **Retirement plans:** Outside of traditional pensions or government-paid retirement plans, you can still receive payments from your retirement accounts if you previously planned. These types of retirement accounts enable you to save for retirement by investing. The most popular ones are 401(k), 403(b), and Roth IRAs, but you can find a complete list on the IRS website (www.irs.gov/retirement-plans/plan-sponsor/types-of-retirement-plans).

» **Social Security retirement benefits:** When people talk about receiving Social Security, they're usually referring to retirement benefits. Every year you

remain in the workforce, you can receive up to four work credits. As of this writing, you must earn \$1,890 to earn a work credit. This means that you must make at least \$7,560 per year to earn all 4 credits you're eligible for. After you earn 40 credits (which you could do over the course of 10 years), you're eligible to collect partial benefits at age 62 and full benefits at age 67. For up-to-date information, please visit www.ssa.gov/retirement.

» **Social Security Disability Benefits, Supplemental Security Income, and survivors benefits:** Social Security has three other benefits. If you're disabled, you can receive two different types of benefits.

- *Social Security Disability Insurance (SSDI)* benefits are granted when you match the Social Security Administration's definition of having a disability and have earned enough workforce credits, depending on the age you become disabled.
- If you've never worked due to a disability, you can qualify for *Supplemental Security Income (SSI)*.

Last but not least, if you're a child, a spouse, or a parent who relies on someone in the workforce to support you and they die, you can get *survivors benefits*.

» **Cash benefits from the state:** You may qualify for cash assistance in some states, depending on your situation. Temporary Assistance for Needy Families (TANF) is one example. Along with cash assistance, other benefits you may be eligible for are work assistance, specific training to enter back into the workforce, and help with childcare. Go to www.benefits.gov/benefit/613 to find out more.

» **Court-ordered payments:** For specific life situations, you may receive court-ordered benefits. Alimony and *court-ordered acceptable for processing (COAP)*, which gives a former spouse the rights to retirement annuities, are benefits you may get during a divorce. Other court-ordered benefits include child support and restitution if you were a victim of certain crimes.



TIP

Take time to create a Social Security account at www.ssa.gov/myaccount/. Doing so enables you to check your workforce credits, the money you've paid into Social Security, and an estimate of your retirement benefit payment. You can also check to see what other benefits may be available to you, such as disability or survivor, along with the amount you or a loved one would qualify for. This information can help you budget better for life circumstances and save for retirement.

Identifying additional sources of income

Just like your variable expenses (check out the earlier section “Allowing for variable expenses”), variable or irregular income means that your wages fluctuate

every month. You can make this type of income yearly, monthly, weekly, or even daily. Variable income, for example from a side gig, is an excellent way to catch up on financial goals or supplement your income. *Side gigs* or *side hustles* are usually jobs that are dependent on task completion. You can freelance for a client or clients, using the skills you learned from current or previous jobs.



REMEMBER

After you start budgeting, you may find that your net pay doesn't cover all your monthly expenses or the goals you set for yourself. In this case, you have to either cut your spending or earn more money.

We feel everyone should have additional income streams. The economy can be downright volatile sometimes. A job may be here one day and outsourced the next. Things happen, which is why being able to budget with the best of them is more important than ever. The following is a short list of common side gigs.

- » Becoming a *ride sharer*, a person who drives others in their vehicle for a fee
- » Doing/delivering grocery shopping or delivering food purchased through a restaurant
- » Selling items you have lying around or buying items for a lower price and then selling them for a profit on sites such as eBay and Amazon
- » Creating content online as a writer
- » Making and selling crafts on a site such as Etsy or on social media



REMEMBER

Variable income from a side gig can still be considered earned income depending on the source, so check with the IRS to see whether you need to put money aside for taxes. Try to put 25 to 30 percent of any income earned from side gigs aside in a checking account. Pay your estimated taxes quarterly and save anything additional for business expenses. Even better, double-check to ensure you aren't missing expenses that you can use for tax deductions. Software fees, utilities such as Internet, and inventory are all expenses that may be potential tax write-offs. For more information on self-employment taxes, go to the IRS official website at www.irs.gov.

You Gotta Have Dreams: Financial Goals

Setting goals enables you to work toward something you want in your life with the end goal of eventually achieving it. Goals can be simple, such as brushing your teeth at night. They can be moderate, such as learning a new language or losing some weight. They can also seem unattainable, such as climbing Mount Everest.

After you're clear on where you want to go, figuring out the steps to get you there is easier. (If Mount Everest is your goal, please send us lots of pictures.)

Having a financial goal can help ensure your budget tells your money where to go. It causes you to look at your spending and evaluate your current lifestyle. It helps you not eat cat food in retirement. It can help you live a life you love and are proud of.



REMEMBER

Setting financial goals can help you live a better quality of life, which can mean the difference in where you can afford to retire or whether you can take a leave of absence from an employer or have a life-changing emergency that causes you to pivot, such as an unexpected death. A budget can be flexible to meet the stage of life you're in, but having a bucket of money can shake things up. Oh, and make your overall life easier.

Saving for your future

We regularly get questions from people who want guidance for a financial situation. Sometimes it's easy, like directing them to a budgeting app. But often, they're more serious than that. One of the more common recurring themes: not saving for the future, mainly retirement (see Book 6). Folks are asking questions not only about their personal retirement plans but also their parents'. Life is short, and every day you don't put money aside for your future is a day you're setting yourself up for risk and, even worse, failure.

You're also better off saving for events you know will eventually happen. You may need a new car for transportation to and from work. The perfect bungalow of your dreams may hit the housing market, and you see yourself establishing some roots! You may even have kids heading off to college — or, better yet, you may want to go back to school yourself to make more money so you can have an even better budget than before. “Someday” can turn into your current day, so you may as well plan for it.

Saving for the future isn't just about retirement or replacing things that break. It can also include fabulous trips you want to experience, such as going to Europe or wine tasting in Napa. Maybe it's establishing a scholarship fund in someone's name at a local nonprofit, redecorating your house in whatever the cool new style is, or buying a muscle car to restore. Your future needs to include fun, and your budget helps you do just that.



REMEMBER

Make sure your goal is actually yours. One of the everyday occurrences seen in the personal finance world is people telling others to become their own bosses. Do you know how hard it is to be your own boss? We're not saying you can't do it, but it's not as easy as many claim. Many people quit their jobs to make money but

didn't have a clear plan or realized they didn't want self-employment at all. They let someone's goal become theirs instead of listening to their intuition. Make sure whatever financial goal you choose is one that you want to achieve, so you'll put in the hard work to make it your reality.

Paying down your debt

Another financial goal you can see is paying down your debt. Debt isn't evil if you use it strategically. But having even strategic debt can still be problematic. Who wants to pay thousands of dollars in interest and financing fees?

Setting a financial goal to pay your debt down can help in the long run when budgeting. Because as soon as you pay that debt off, you have more cash flow to do things with, such as saving for retirement or adopting a dog from a shelter. Book 3 gives you some tips to help you eliminate your debt.



TIP

Putting your financial goals in place

Setting financial goals doesn't have to be complicated.

1. Establish what your goals are.

For example, maybe you want to buy a house.

2. Make the goal as clear as can be.

Decide precisely how much money you need to buy that house and when you want to be able to make the purchase.

3. Take actionable steps toward completing it.

Examples of actionable steps may be paying extra on your credit card to reduce debt and free up cash, which can go toward opening a high-yield savings account for the house you want. Every little bit adds up, so don't be discouraged if you have to start small. With every action, you move the needle closer to your goal.

Celebrate the small wins, and make sure you know you have your own back. We have it, too.