



Week 6 – Financial Freedom

In order for us to be able experience financial freedom and do the things we want to do when we want to do them, we've got to get our fixed expense balance under control.

In order to create financial freedom you have got to lower your spending or increase your income coming in to cover the fixed balance; and then you have freedom!

In our homework in week 4 – Where are you? We did an exercise where you listed all your income sources and all of your expenses. This week we are going to revisit those pages in your journal to identify our fixed expenses and our income.

1. The fixed expense balance is the bare minimum you need each month to live on. It is the amount that seldom changes and is fixed each month. It is a subset of all the times you listed in Week 4 as necessary:
 - a. Food
 - b. Shelter
 - c. Utilities
 - d. Transportation
 - e. Health Care
 - f. Insurance
 - g. Minimum payments on debt obligations

2. Total the amount of your fixed expenses.
3. Now look at the total of the amount you listed at income.
4. What percent are your total expenses versus your income.
5. My formula for financial freedom:
 - a. 70% of income is spent on fixed balance (if your fixed spending is currently more than 70% you will have to make some hard decisions on what is deemed “necessary” or find ways to bring in more money)
 - b. 10% of income is spent on fun – fun is always taken out and spent as cash. If you are saving for a trip or big fun event, put the cash in a safe place. NEVER co -mingle fun money with other money.
 - c. 10% is for debt reduction. Take this and pay down your short term debt. We will have a specific lesson on debt in a few weeks.
 - d. 5% of income is put into savings account (you should always have a minimum of 3 months fixed expenses in your savings account).
 - e. 5% of income is on personal growth or creating other sources on income.

Real example from my client:

Income after taxes and health insurance = \$3296 per month

His spending should be:

- \$2300 for fixed living expenses (70%)
- 330 for fun (10%)
- 330 for debt reduction (10%)
- 165 for savings (5%)
- 165 for personal growth or charity (5%)

Real Spending

- \$2650 for fixed (\$1808-Rent including utilities, 175-Car payment, 168-Car Insurance, 475 –groceries and eating out, 30-gym) 80% because his rent is so high
- 400 for fun – he spends 200 and saves 200 for a 2018 vacation to Japan next year. 12% because his debt is paid off
- 0 for debt (already did the debt reduction program)
- 300 for savings (has \$15,000 saved and will start the investment program next month) 9%
- 300 for personal growth (taking a class to improve skills) 9%

If you need help figuring out these percentages email me at:

cindy@cindybbrown.com

- Read Chapters 6 and 7 of *Think & Grow Rich*.
- Continue on your spending journal – please stay with this!
- Commit to listening to this podcast and doing your homework.

This is a lot of homework – but you can do it!

Live Rich!

Cindy