

How to Build Your Money Plan

We are going to look at a completely different approach to the dreaded budget. Why? Because no-one likes to budget! It feels like you are being constricted and you have to be frugal.

What happens when you start to focus on what you can't have or do, you want it more.

For example If I said you couldn't eat chocolate (or drink coffee) for the next 10 days, but about day 5 or 6 you will be craving it. You will find it really hard to stick to your good intention, and you will probably succumb and then beat yourself up for being a failure (that's what women tend to do).

But, if you had a clear goal and reward at the end of day 10, then your mind will go "OK, I can do without chocolate for 10 days, to get into that amazing dress for my work do. This is the pain pleasure principal at work.

Stop thinking budget, instead think money plan. This is all about making smart choices and having the lifestyle you want (but you do have to work at it) and having a very clear reason why you are making the changes. This approach encourages your internal child (who is all about pleasure) to co-operate with your adult mind who wants to be sensible and get ahead.

Forget needs and wants! Everything we spend money on is to fulfil a need. We tend to use financial strategies to fulfil needs when we could use non-financial (or lower cost options)

Understand the need then look at how you fulfil it. What can you do differently?

What can you do if you need more income? Look at your resources, not just from how you 'sell' your time, what else do you have that you can use to generate income?

Do you have a spare room, would air BnB work for you? Do you play guitar? Could you teach someone? Brainstorm every option you can possibly think of, even if you don't particularly like the idea right now, right it down on a list.

Pick out three, write them on a card and think of every possible idea you can to implement them even if they sound a little crazy. Then let your brain get to work thinking about your options and sparking your imagination.

Where does your money go? We know we don't 'need' a lot of the things we buy, we buy them to fulfil a need. Think about Maslows hierarchy of needs, the bottom level is all about the basic food, clothing and shelter. Some argue that anything above that is a want.

When we decide to cut back our expenses, the first place we tend to start is with our 'wants', we beat ourselves up about 'wasting' money. When our needs aren't met we feel even more frustrated.

So, you need to learn how to distinguish between a need and a strategy.

Here are some examples. Are they needs or strategies?

- Eating out at a restaurant to meet a need for friendship
- A gym membership to meet a need to exercise
- Buying a car because we need transport.

These are all strategies. We could have dinner at home with friends, we could walk outside to exercise and we can take a bus or a train to get us around.

Typically, when building a money plan, we tend to cut expenses without thinking about the need they are fulfilling.

Here is an example. Cut out the daily coffee and you will save \$1500 per year. Sounds great, but what need is the daily coffee fulfilling?

If it is simply a coffee fix, then yes you can cut it out and have one at your desk or at home.

But what if the need is the walk to the café, chatting and meeting others in the line?

If your need is the social connection and break from what you are doing, then cutting

it out isn't going to work. You have cut an expense, but you have an unfulfilled need. So you need a new strategy to fill the need.

Staying with our coffee example, if the need is for social connection ask a co-worker to have a break with you, have a chat or go for a walk. If it really is coffee that you need, maybe you could drop down a size, or have one a little less fancy.

Can you see how this approach takes away the feeling of depriving yourself?

You may not get it right the first time, so keep changing the strategy until you feel comfortable.

Now it's your turn

Think of two or three things you spend money on regularly (not the basic survival needs).

What need are you fulfilling when you spend that money?

How can you meet that need in a non-financial, or lower cost way?

Some additional Exercises:

Have a look at your spending for the last month.

Pick a couple of other expenses and do the same exercise.

You may be surprised by how much you divert from spending to savings and still feel OK about it.