

Living a Simple Life with a Back Porch View

Dear Listener:

Thank you for stopping by for a visit at Living a Simple Life with a Back Porch View podcast! To make it easy, you will find a transcript of each episode. I hope you enjoy the visit!

Episode 11 - Simple Life Finances

Welcome to Living a Simple Life with a Back Porch View. Thanks for stopping by! Grab a glass of Lemonade, pull up a rocker and join me for conversations about living the Simple Life. Go ahead. Get comfortable and settle in for a good visit. It's time to relax and enjoy!

Welcome back to the porch! On this episode, we're going to be talking about taking another step in your Simple Life journey by gaining control of your finances.

Just so you are aware, I won't go into any great detail here, as finances can be a deep subject with quite a bit of information. So, I am going to get you started with an overview and talk about a few tools you need. For a deeper dive, you can find a few things on the Podcast Resource Page that can help you with the details.

So, let's get started. To help, we are going to compare your finances to a fun day spent on the water in a boat. Can't you just see the trees and sky reflecting in calm waters? Are you hearing the gentle slap of the tiny waves against the boat?

Sounds fun, doesn't it? But all it would take is a bit of wind, a small hole in the boat, and some big rain drops to sink your boat and spoil the day.

One aspect of living a Simple Life is to lower our stress levels. In many cases, finances can be a major concern. Often it seems there just isn't enough income to cover all the expenses, or if it does, any emergency could sink your financial boat.

If this only happens on rare occasion, you probably already have a firm grasp on your finances. However, if it seems to be happening more and more frequently, there could be a significant hole in your boat. It is time to take a good hard look at your finances and plug the leak.

The first step is figuring out where you stand right now. And that can be scary. We often don't want to look too closely at our finances, because we already know there isn't enough. It could be we have just lost our jobs and have no idea where our next paycheck will come from. We may be scared because we know we just spent money we don't have on a whim and aren't sure how to make up the difference in time to pay the mortgage.

The biggest reason we don't want to look closely at our finances is usually twofold. One – we don't want to see how much we don't have, and two – we have no idea where to start or how to manage it.

However, by not managing your finances, you can find your boat is gaining even more water, which can cause a darker cloud of stress hanging over your head.

Managing your money doesn't have to be hard, complicated, or scary. It just takes a few tools, a willingness to get your finances under control, and some scheduled time to sit down and do it.

With that in mind, it's time to grab your notebook and yes, do a bit of homework.

Let's start with the time factor. If you have been working on living a Simple Life, then you probably have already trimmed your schedule down to a manageable level. Find some free space on your calendar and mark out a day or two for this project. If necessary, you can block out a few hours over several days, if there is a time crunch.

Your first homework assignment is to sit down and take a look at your income, bank statements, savings account, receipts, and a list of the bills that you normally pay. Before you can take even a single step, you need to have an idea of where your money is coming from and where it is going. Write down as much as you can. For this exercise, we aren't worried too much right now about 401Ks, CDs, or other investments, as these are things you either can't or don't want to access, if possible.

The list will be your income. Mostly, that comes from a paycheck. In some cases, it may be small jobs, investment dividends, or even royalties. Make a list of any money you have coming in on a regular basis, where it's coming from, and an approximate date of when you receive it. Add it up, set it aside, and make a second list of your expenses – mortgage, utilities, insurance, and any regular things you spend money on. Add these up.

Now, let's talk about another type of expense. Have you ever asked yourself, "Where is my money going?" I'm about to help you answer that. There's a little matter of what I call 'hidden' expenses. Did you stop by the store this week, grab a bottle of water, and

pay cash? Did you put a quarter in a parking meter? Or did your child need \$10.00 for a field trip? All of these are expenses that aren't normally recorded because you paid cash.

My mom taught me years ago that every penny spent will affect the bottom line. A quarter here, a few dollars there mostly goes unnoticed. But if you added all of that up at the end of a month, you might be surprised at how much you are really spending.

The second homework assignment I am going to give you is to find a small notebook and take it with you everywhere you go. If you spend even that quarter in a parking meter, write down the date, how much you spent, and what you bought.

Keep doing this for at least three months, if not six. At the end of each month, add up everything you spent. Some months you may not spend much. But by doing this for several months, you will have a better idea of where your money is going. If you make this exercise a habit, by the end of a year you may be surprised at how much you're spending that you never even realized.

Although most of us use debit cards or on-line payments these days, and those purchases are reflected on our bank statements, it is still helpful to keep our receipts. Your bank statement will only tell you how much you spent at the grocery store – it doesn't tell you what you bought.

Look at each receipt to determine how you spent your money. You don't have to get too detailed, but at least break it down into groceries, health, household, etc. And be sure to include an 'Impulse' category. This is going to help you in several ways. First, it will help you know how much you spend in each category. Second, it will also help you spot any unnecessary – or impulse – purchases you make.

Please understand – I'm not saying you can't get that bag of Caramel M&M's every now and then. I have to confess, that is one of my weaknesses. And it doesn't mean you can't treat yourself every now and then. What I am saying is, too many of these impulse purchases can add up. And when they do, before long you may find you have to be late on a bill before you have enough money in the checking account to get it paid.

Now that you have a good idea of what your income is, and how your money is being spent, subtract the expenses from the income. This final amount is going to tell you where you stand now. Is it comfortably in the black? Then you may be good to go. Is it turning a bit gray? It may be time to see if you can plug the hole before it gets too bad.

If you are in the red, it may be time to take an even harder look at your boat and take it in for a better financial overhaul.

Once you have all this information at hand, it is time to start working with a two other tools.

The first tool you need is a budget. A budget is basically a projected list of your income and expenses over the course of a year. It can be done in a notebook, on a column sheet or even on a computer spreadsheet.

Budgets are something we all know we need to have. But actually drawing one up and maintaining it on a monthly basis can be a nightmare for those who hate numbers. We would rather live in financial LaLa Land instead of having all those numbers staring us in the face.

But working without a budget can be detrimental to our financial health. We usually have a rough idea of how much our income is each month. But do you really know how much goes out? Do you know what for?

Without a budget, it's difficult to plan for the future. Unexpected expenses, such as car repairs or appliance replacements can occur. Not planning for those costs can cause late payments on other bills, which just drains your available income faster.

Late fees themselves can quickly become a vicious cycle. Most companies charge 5% to 20% of the bill when it passes the due date. When you add up all the late fees, you could almost - if not completely - pay another bill.

Having a budget helps to give you control over your finances. You will know where your money is coming from and where it is going.

A budget may give you an expectation of what you will be spending over the course of the year, but it doesn't always give you the full picture.

To fully understand exactly where your money is earned and spent, it helps to have a second tool, called an Income & Expense Spreadsheet. This takes your budget to a deeper level of where your money comes from and where it's going. It breaks down each category into a more specific list.

For instance, if you have an 'Entertainment' category in your budget, your Income and Expense Spreadsheet breaks it down further, such as Movies, Restaurants, Vacations, and more.

An Income and Expense Spreadsheet will also help you to create a new budget each year. Knowing exactly how much you spent this year will help you adapt next year's budget.

The beauty of an Income and Expense Spreadsheet is that you can also keep track of 'extra' income. You can keep a record of money received from the sale of items, gifts, and extra jobs. On the flip side, you can add a Gift category, and know exactly how much you spent on birthday, wedding, and Christmas gifts each year.

Keeping an itemized record of all your spending also comes in handy when you are faced with a serious drop in income, such as loss of a job, or unexpected medical expenses. Knowing how much is spent in each category can help you quickly find areas where you can cut spending or eliminate it all together.

And having an Income and Expense Spreadsheet may just open your eyes. You may not realize how much money is being spent in those 'hidden' ways. Once you find out exactly where all your money is going, you can quickly make changes and find other alternatives or eliminate those spending habits once and for all.

Now that you have taken the initiative to plug the leaks in your financial boat, the next step is how to live a bit more frugally to help you have smoother financial sailing in the future. And that's exactly what we will be talking about in next week's Episode.

But for now, if you want to gain control of your finances, be sure to visit the Resource page for some helpful posts. And if you are really serious, I have a product that can get you moving in the right direction. I call it the Simple Life Finance Bundle, and it includes my Simple Life Dollars and Sense eBook, which takes you step-by-step in setting up your budget and income and expense spreadsheet, learning to manage your finances and more. There is also a Home Budget spreadsheet and an Income and Expense Spreadsheet already done for you and easily adaptable to your finances.

If you prefer to set up your own Budget and Income and Expense sheet, and just want the Simple Life Dollars and Sense eBook, you can get it separately.

And I am going to take it one step further – for my listeners, I am offering you a discount on both products. Just check in with me at www.thefarmwife.com/podcast to get all the details. To help you out, this is Episode 11.

In the meantime, you have some homework to do. Go ahead and get started. And if you have any questions, just email me at thevirtualporch@gmail.com. I'll be happy to help in any way I can.

And don't forget to hit that subscribe button - you don't want to miss a single conversation. I'll be sitting on the porch every Monday morning waiting for your visit!

Thanks again for stopping in. I will see you next week on Living a Simple Life with a Back Porch View. And while you are waiting on the next episode, grab that glass of refreshment, pull up a rocker, and sit back for a while. It's time to

Relax and Enjoy!

julie