
# Knowing Your Numbers:
# The First Step to Financial Security

When we talk about "knowing your numbers," we're not talking about putting you on a b-u-d-g-e-t. (I know that word is radioactive for too many of us.) I can already hear some of you saying, "Damn, is *that* what this is all about? I thought someone had a different approach that could get me out of this bind."

No, it's not about budgeting. But it *is* about getting you to a place of balance, where you stop the financial bleeding each week or month. In fact, it doesn't matter how large or small the numbers are; all that matters is that you *get your total income equal to or larger than your total expenses* so you no longer dread the passing of each day.

The aim is not to have you "settle." This is a temporary step. But it *is* the key to finding the quiet space where you can start removing the emotion from your money, and start building a healthy relationship which allows money to grow for you … rather than trip you up.

In that neutral zone, you'll realize that each day is an opportunity to learn something new, do something new, or feel something new. Better yet, there's no clock ticking in the background that keeps you in a subliminal place of panic.

This exercise is also not something that gets all involved in your long-term financial planning. It's neither a retirement plan, nor an investment plan. It's simply a little calculation that's going to get you to a place where the amount you absolutely have to pay out each month is covered by what you bring in each month; nothing more, nothing less.

## The Exercise

The goal is to list every bit of money you spend on the form below. In fact, the list should serve to tweak your memory of all the different items. So, before starting, let's look at a few simple guidelines:

 

First, define your household's monthly income from W-2 salaried jobs and/or 1099 income, if you are self-employed. Be sure you're looking at after-tax income, whether it's being withheld or you pay it in to the IRS periodically (say, quarterly or yearly). Don't include in your monthly "spendable income" figure anything that you *don't* get to keep.

For expenses you pay less often than monthly, such as homeowner's insurance that's paid annually, divide the annual premium by twelve and add that to your monthly list. (Actually, this money should be set aside each month somewhere safe so that you're not thrown into a tailspin later when the payment is due in full.)

You may honestly not know what you spend on different things each month (and most of us don't). In that case, write down every single expenditure you make for the next thirty days. (The same goes for anyone else in your household.) That includes every check you write … every automatic withdrawal you have set up in your bank accounts … every debit card or cash expenditure. On the other hand, if you hardly ever pay cash for anything and use either a debit card or credit card for all of your expenses, you won't have to wait to gather the information: your monthly credit card and bank statements will be your perfect cheat-sheets.

I know, it sounds like sheer misery. But if you look at this as a challenge—one that you can certainly survive—doing it will be unbelievably empowering. By knowing our numbers, we de-fang them. We remove their emotional power over us. And we almost always discover that we worry about things that appear far worse than they really are.

Okay, the list looks long. But you'll have lots of blank lines. Just put in zeroes!

| **INCOME:** | **PER MONTH** |
|---|---|
| Wages/Earnings | |
| Tips | |
| Bonuses | |
| Alimony | |
| Allowances | |
| Interest Income | |
| Investment Income | |
| Miscellaneous Income | |
| **Income Subtotal** | |
| | |
| **INCOME TAXES WITHHELD:** | |
| Federal Income Tax | |
| State and Local Income Tax | |
| Social Security/Medicare Tax | |
| **Income Taxes Subtotal** | |
| **Spendable Income (Income minus Income Taxes)** | |
| | |

| | |
|---|---|
| **EXPENSES:** | |
| **HOME:** | |
| Mortgage or Rent | |
| Homeowners/Renters Insurance | |
| Property Tax (1/12 of annual) | |
| HOA Dues | |
| Home Repairs/Maintenance | |
| Household Products | |
| | |
| | |
| **UTILITIES:** | |
| Electricity | |
| Water and Sewer | |
| Natural Gas or Oil | |
| Telephone (Land Line) | |
| Cell Phone | |
| Internet | |
| Cable or Satellite TV | |
| Other Utilities | |
| | |
| | |
| **FOOD:** | |
| Groceries | |
| Eating Out | |
| Lunches | |
| Snacks | |
| | |
| | |
| **FAMILY OBLIGATIONS:** | |
| Child Support | |
| Alimony (out) | |
| Day Care | |
| Babysitting | |
| | |
| | |
| **TRANSPORTATION:** | |
| Car Payments | |
| Gas/Oil | |
| Registration/Inspection | |
| Auto Repairs/Maintenance | |
| Car Insurance | |
| Other (Tolls, Bus, Subway, Taxis) | |
| | |
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|---|---|
| **HEALTH AND MEDICAL:** | |
| Insurance premiums: Medical | |
| Insurance premiums: Dental | |
| Insurance premiums: Vision | |
| Insurance premiums: Life | |
| Insurance Co-pays | |
| Fitness (Gym, Yoga, Massage) | |
| Dental | |
| Medical | |
| Vision/Contacts | |
| Medicines | |
| | |
| | |
| **DEBT PAYMENTS (Minimums only):** | |
| Credit Card: MasterCard | |
| Credit Card: Visa | |
| Credit Card: Discover | |
| Credit Card: American Express | |
| Credit Card: Other _____ | |
| Credit Card: Other _____ | |
| Credit Card: Other _____ | |
| Student Loans | |
| Other Loans | |
| Personal Loans | |
| | |
| | |
| **ENTERTAINMENT/RECREATION:** | |
| Videos | |
| Movies | |
| Computer Expenses | |
| Hobbies | |
| Subscriptions | |
| Club Dues | |
| Events | |
| Travel/Vacations | |
| | |
| | |
| **PETS:** | |
| Food | |
| Grooming | |
| Boarding | |
| Vet | |
| | |
| | |

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|---|---|
| **GROOMING:** | |
| Clothing | |
| Hair | |
| Make-up | |
| Toiletries | |
| Dry Cleaning/Laundry | |
| | |
| | |
| **MISCELLANEOUS:** | |
| Savings/Investment Contributions | |
| Gifts/Donations | |
| Church/Charity | |
| Tuition | |
| Other | |
| | |
| | |
| **Total Expenses** | |
| | |
| **Subtract "Total Expenses" from "Spendable Income": Surplus (positive balance) or Shortfall (negative balance)** | |
| | |
| | |

**Taming the Numbers**

If, after gathering all the numbers and filling in the form, you find that your expenses are out of whack compared to your total income, take a look at what expenses you can get rid of for awhile. Not forever, just for awhile. Maybe you don't need a vacation as much as you need the peace of mind that comes from getting your finances and your money issues under control.

Once you follow my guidelines, your whole outlook towards money will be different. You'll be able to afford vacations again. But this time you'll dodge the remorse that hits when you get back home from a vacation and realize it's sitting on your credit card balances, waiting to be paid off in miserable monthly installments. Seemingly forever.

Also look for the little "bleeders," the things you don't even realize you're spending money on. They might be expenses you have come to take for granted, and probably wouldn't miss all that much. For example, add-on services, like premium channels on cable or satellite television that you never watch, or bells and whistles on your phone.

By listing all the things you spend your hard-earned money on, you'll more than likely find a bunch of surprises.

 

You can also revisit the income side of the equation. Think of other ways you could bring in extra money that you could count on during this clean-up period, month in, month out. Look carefully to see if you're giving away your services to friends and family, or as a form of unequal bartering. If you are trading services, be sure the exchange is fair. All too often, women undervalue themselves and what they have to offer, and end up on the short end of the stick.

Increasing your income may be what allows you to get your inflow and outflow into balance. And getting into balance is the key.

A lack of control over your money can stem from many places, not just the feeling (or reality) of not having enough of it and the stress that causes. It can even stem from just the opposite: your inability to feel in control of inheritances or other large flows of money. While someone struggling to make ends meet might have little sympathy for the person "struggling" with an inheritance, the emotional issues around not deserving that money—or the pain related to the source of the money—are equally destructive.

Whatever the case, this little exercise is valuable as a way of seeing some numbers on paper. You'll get more comfortable writing them down. Once they are written in black and white, they become unemotional figures rather than part of the scary unknown. At that point, you have taken the first (and most important) step on your way to the financial security and healthy money behaviors you desire.

Congratulations on taking that step!

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Sharon O'Day has spent 40 years in the world of international finance and marketing, working for governments and companies in international trade development. She has an MBA from the Wharton School of Finance, University of Pennsylvania, and was the first person accepted into their full-time MBA program without an undergraduate degree.

She has dedicated the past eight years to understanding why so many women put off preparing for retirement, however they envision it. At age 53, she too woke up one night in a cold sweat and said, "What was I thinking? What the heck do I do now?" During these years, Sharon has studied and developed effective strategies to change all of her day-to-day, emotional, and spiritual attitudes towards money.

Sharon practices what she preaches by helping others reach the same financial independence that she enjoys today. She mentors women in their fifties and beyond, using the step-by-step process in her upcoming book *Money after Menopause* to get them beyond all barriers and into financial security.

 