**Audio Title: Knowing your numbers - Michelle House**

**Duration Transcribed: 0:00:00 – 0:50:09**

**Number of Speakers: 1**

**Transcript**

**Michelle House:** Hello and welcome to my lesson *Knowing Your Numbers Financial Empowerment*. My name is Michelle House and today, I’m going to be taking you through some money lessons about helping you feel empowered with your money and give you a sense of confidence and peace with your money.

I’ve been a business owner now for 22 years and I understand the importance of staying on top of your day to day money management. During that time, I’ve had three different businesses and being on top of the money management has been essential to their success. You know I know that feeling of waking up in the middle of the night and stressed and worried and anxious and thinking about can I afford what I’m doing? Am I able to pay myself this week? Those kinds of questions, when you’re coming from a place of not being clear about your money obviously.

So, today we’re going through some ways to make that a little bit easy for you. Before we do that though, I wanted to just give you a little bit of background into myself. Like I said before, I’ve been in business for 22 years. Started when I was 22 and I’ve got a background in recruitment and also products development. So, I’ve actually had my fingers across lots of different things. And currently my business is all about rich living and helping people live an enriched life. So getting their money stuffs sorted so that doesn’t become their primary worry and focus during their lives.

Before we get started into the nitty-gritty today I wanted to just give you a little bit of history lesson and get some perspective about how, as women, we actually haven’t had a lot of time and a lot of education around money. It was only in 1974 that women were allowed to have their own bank account prior to that we weren’t allowed to look after our own money. So then in 1974, everything changed and that was something that we then were able to feel a bit more empowered with. But we also didn’t have the education around money. It was just, “Here you go, here’s a bank account. Go for your lives.”

And the same thing happened in relation to credit cards which were introduced in the ‘50s still again, not that long ago. And no education or training or understanding of the implications of credit cards and what that does to your money management. But also not just with managing your money it’s about how we feel about our money. Also, another interesting fact is back in 1982 I think it was where a woman was finally allowed, not refused service in an English pub, she was allowed to buy her own beer with her own money.

So, we’ve a lot as we mean to come to terms with over this time. And I guess what I want you to do during this session is to be a little bit more gentle on yourself in relation to managing your money. Don’t get so hard on yourself that you’re not doing it right, that you didn’t think about that. Approach it with a more gentle nature and the feelings about money will hopefully soften for you.

That being said, even though it’s only been a short time that women have had this power and responsibility with money, I don’t want you to use that as an excuse. This is an awareness exercise where we’re aware that we don’t have, we haven’t had a lot of training and a lot of education. But now it’s up to us to take responsibility for the way that we want our lives to unfold. So learning about your money and getting an understanding about your money, what it’s doing on a day to day basis will have you feeling confident and clear about your business and your own business to make a difference in the world. So we need you to be focusing on that and growing that and also having that confidence and clarity about your money flow.

Here are the top three reasons that women are not making money in their business. The first one is they don’t know what it’s actually costing them to operate. They don’t know what their day to day costs that actually keep that business open everyday. They also don’t have the discipline to monitor and manage their money on a day to day basis. Like I mentioned before, if you’re a massage therapist or a website designer, you’ve decided to start a business from that passion. You’ve decided that you want to be a fabulous massage therapist and you want to be a fantastic website developer. Money is kind of secondary. You know somewhere down the line you’ve got to make the money but it’s kind of secondary.

So, we forget to monitor and manage it. But that’s actually one of the reasons women fail in business. The third reason is their relationship with money that they have personally shows up in their business. So if you haven’t got your relationship with money sorted in your personal life, you need to because at some point, it will reflect in your business.

So let’s get cracking. We’re going to use get started today with knowing your numbers and there’s three key areas. We’ve got money coming into the business, money going out of the business and like I said before, monitoring and measuring. So over this lesson, we’re going to look at those three sections and at the end of each section, I’ll give you the opportunity to pause and walk away and go and actually take some action to making something change in your money relationship with your business.

So, money going out, part one. Money going out is about the money obviously that’s leaving your bank account. And if you’re in start up phase, there’s a lot of cost involved in starting up your business. And that’s all the money going out. If you’re actually already operating, that’s your cost of operation. So it’s very important to get clear about what your money is that’s actually leaving and going out of your business.

The costs to operate are generally called fixed costs. I like to call them the cost to operate. So there’s a cost to me when I go into my office at the beginning of everyday and open the doors. It doesn’t matter if I don’t sell anything for a year I still have a year worth of costs. So that factor is really important to know and we need to know what that amount of money is so that when we’re going through our day to day business we’ve got that figure in the back of our minds helping us to make more sales, spend less money, whatever it is that we need to do.

One example I’ll give you is when I have my recruitment company, what I did was I got the– got a pen and paper one morning and I went out back outside and started walking my way through the offers. And I realized one of the things that we have actually left off in our calculations was insurance and so then I thought, oh my goodness, what are the things am I not thinking about in relation to what it’s costing me to operate? So that actual physical activity of moving through is a great way to set it into your mindset as well about what’s actually happening.

So I’ve you know walked up the stairs and I thought, right, that’s insurance. I’ve got public liability for other people that are walking up the stairs. As I open the door and turned the lights on, I went, OK, there’s my electricity. There’s a cost. Then I walked in and a little bit further and started turning on the computers and they internet connection went up, I went, OK, there’s more cost. And as I was walking through, I just paid attention to what’s it actually costing me to walk into my office and to sit down behind my desk because I haven’t sold anything at that point. There’s actually all of these money that is going out before I make a sale. So it’s important to know what those costs are and how you can manage them and also incorporating them into eventually, incorporating them into your hourly rights that you’re charging or into your retail markups.

I just wanted to give you a bit of an example here on a slide so you can see that the best way to gather the information is to get annual data. And if you can collect your annual data like I was talking about there with electricity and internet connection, rent, don’t forget your rent every time you’re sitting on the butt, you still got to pay– you still got to pay your rent. Your accountant, you’re paying him annual fee regardless because you’ve got that obligation, so all of these expenses are happening whether or not you make a sale. So they are your cost to operate.

And once you’ve got that annual figure, you can then break that down into a weekly figure. And the way that you do that is simply by dividing it by 52. And then what you do is break down that annual figure into a weekly figure. You divide it by 52 weeks to get the weekly cost. And then from there you’re going to break it down into an hourly rate. So if you operate your business 40 hours a week, you grab that weekly figure and you divide by 40 and that will give you the hourly rate, the hourly cost rate to operate.

So, in this instance, that’s $82.95. So, in order for me to get into the office to sit down and to get ready to start making a sale, it’s already costing me $83 an hour. So then we’ve got a benchmark and we know now that we have to be making a minimum of that amount of money to break even. So you may have heard that term before, break even that would be you break even point because you can pay everybody and you can have everything done and then you start to make money.

Although that doesn’t seem like a lot that’s a lot of information in a task to compel together. So what I recommend at this point is that you hit the pause button and you actually go and find out what your costs to operate are. Knowing that cost gives you such a sense of clarity and position that it’s almost like a foundation, it’s a position that you can then bounce from and then you can know that, you can know with absolute confidence, it’s OK I’ve got these costs covered.

So, remember don’t be harsh on yourself. Don’t start looking at the invoices and going, “Oh my goodness, I’m spending too much money.” “Oh my goodness, I forgot the insurance.” “Oh my goodness, when I was incorporating the costs, I forgot about the car.” No beating up, you can take note of that but bring it right back to this is practical exercise. All you’re doing is collecting data.

Now, for me, sometimes when I’m in overwhelm and I haven’t been doing my tasks on the right times or at the right times of the month, I need to get myself into a zone. So, instead of panicking and worrying and getting anxious, I actually stop and I take a couple of big deep breaths, I actually put a candle on because I like the glow of the candle. I don’t know it gives me a bit of Zen. It’s really important to get yourself into a zone so that you don’t get stopped. You want o get into the zone, get a little of those accounts down and work out what your cost to operate is. So bring them all together, get your annual costs, break it down and then break it, sorry, break it down into your 52-week cost, what it cost you per week and then what it costs you per hour.

And then once you’ve done that, you’ve determined your cost to operate. Remember to note down any self talk that you’re having so if you are beating yourself up about money, if you are saying things like, “Oh my gosh, this is never going to be a success” maybe note those down too because any mindset, beliefs that you have will need to be shifted for you to practically make money. Money is not a two-way street, it’s– there are three things involved in money practice– your practical application on your tools, your emotions and your mindset and the purpose that you have for your money.

So pay attention to what’s going on in your mind as well and we can deal with those later. OK. So now you know your break even cost, you know your hourly rate and what it’s costing you to operate. So every morning when you make a cup of tea, and you make your way to your office, you know that it’s costing you whatever it is per hour.

What I would like to talk to you about here in the second section of money going out is actually language. And our language around money and how that act– that gives us a feeling and with the feelings, we need to shift them, especially if they’re negative, we need to get rid of their negative feeling and bring it back to a positive. Our energetic vibration around money, if we’re happy and celebrating and having a great time with money life is easy, money continues to flow. When we’re stopped and we’re panicking money actually stops to flow. So you need to be conscious of what you’re saying to yourself talking about money.

One of the biggest things for me in my life was when I started working with people in managing their own household budgets. And my actual name of my company was *Secret Budget* which over time I realize that that was all about how keeping a budget is a private thing, it’s secret. Don’t let anybody know you’re on a budget. It’s a bit shameful to be on a budget. So I’ve quickly changed the terminology for myself around that word. I don’t use the word budget but use what is the plan for our money today? Or we will sit down at the beginning of a year or the beginning of the month and we’ll set, we won’t go, “Let’s review the budget” because you can already feel that that’s got kind of a real heavy feeling about it. We say, “OK, what’s the plan for the menu this week?”

Look at words that you could use or change to make you feel lighter about managing your money. One of the other ones that I love and it’s a term coined by a fellow named Randy Gage and he– instead of saying, “Oh, here’s the bills that we have to pay.” He says, “Here are the invoices for blessings we’ve already received.” So if you say, “I’ll go sit down and pay my bills.” It’s a bit you know heavy and a bit hard and a bit, I think I’d rather have a glass of wine. If you change it to invoices for blessings already received, you’ve actually automatically given a sense of gratitude towards that. Gratitude and appreciation is obviously something that we all need to keep reminding ourselves of in our lives so that we’re living in that vibration of positive rather than negative.

So perhaps reconsider and call your invoices or accounts payable or bills I have to pay, change it to invoices for blessings already received because you know what they actually are an invoice is something that you’ve already have the pleasure of using. You’ve already used the service. You’ve already used the product. So, having, there are bills to pay is actually disrespectful to the person who supplied you the product or service in the first place. So changing your feeling and changing your words around money is an important thing that you need to do to stay in that high vibration.

Organize your bank accounts. Sometimes we have bank accounts all over the place because we needed to have a bank account because we have to pay that and the bank account over there to pay that and we’ve got a credit card account and it’s a personal credit card account but you know you put your business stuff on it. There’s a PayPal account over there and it’s got some personal stuff on it and there’s got some business stuff. You got to stop it. You got to stop and get some clarity and just have nice, simplified bank accounts that you’re operating your business from.

So– and I think that’s easy for us to fill into when we are in that startup phase because there’s not a lot of money coming in. And we need to be clear about what our costs are and what we’re going to be using from the business and what we’re going to be using from personal. That’s also that blurred line I was talking about before as well. If you’re blurring that crossover between business and personal, it’s going to get messy. So, get it sorted and sort out your bank accounts and have you know a bank account where you’re doing your day to day transactions for your business. Another bank account for obligations that you have so things like GST, VAT, sales tax, employee obligations, have them in a separate account, don’t have them in your trading account.

And there’s another word change there actually. Obligations, try to– if that’s a heavy word for you, “Oh, I’m obliged” if you’ve got a heaviness feeling about that, change it to something else like responsibility. So for me, obligation is “Oh, I’m obligated and I just don’t want to do it.” And responsibility is more like, “Actually, I’m a responsible business owner and I have my taxes that I need to pay and the employees that I have.” So consider changing that name as well.

The other account that I encourage everybody to have in both their personal life and their business life is a peace of mind fund. And that’s fund where you just popping aside a little bit of money every week, I don’t know whatever it is that you can afford that’s just sitting there in the background for any kind of emergency that may come up. It’s nice to know that you’ve got a buffer of money, not a buffer of credit, a buffer of money to use for a rainy day. And often at time things happen in our business that we didn’t expect especially if we’ve never been in business before, we’ve got no experience to call on. So having that peace of mind account is a great way for you to actually have peace of mind in case anything goes wrong.

So again, we’re going to use an opportunity to pause. I’d really like you to take the time now to have a look at what your system is for invoices that are coming in. How are you dealing with them? What is your structure for that? What’s your prizes for that? For me, what works really well is having invoices due in 7 days, due in 14 days, due in 21 and then due in 28 days and over. Most of the time they’re in the seven or the 28 days anyway. But then having that you know either a folder and slotting it into those different time dates. Or even these days everything electronically so I have electronic folders that say, invoices for blessings already received. And then due for payment, 7, 14, 21, 28 and it’s a great way to have everything sorted and then you can just slot things into new folders when they’re being paid.

Go through and sort out your bank accounts. Take this time to have a really good look and a bit of a study of your bank accounts and make sure that you are doing what you want to be doing and that business and personal is separate. Work out a system now for you to– for you not to be using your personal credit cards for business expense. Because even though it’s convenient, there’s – my favorite term is there’s always a price for convenience, a price that we pay. And you know you might go out and say, “I’ll just put this on my personal card and I’ll reimburse myself when I get time.” I know I have done that 100 times by the time I get home, I’ve cooked dinner, pick kids up and I completely forget about it until the end of the month and then I go, don’t worry about it or I’ll just wait till the end of the financial year.

Just keep it all separate to begin with so that you aren’t building up all these work for yourself to do in 12 months time. The more that you stay in the schedule of weekly monitoring with your money, the quicker you can make an adjustment. So monitoring weekly and then making your adjustment the next week is easier than waiting six months and then trying to change six months worth of stuff or 12 months worth of stuff which would be even worse.

So take this time to create a system for your invoices that you are going to be paying. Sort out your bank accounts and consider creating an online bank account for peace of mind where you know maybe if you’re just a startup company, maybe that’s something that you’re just putting $10 or $20 a week towards. Maybe in the future when you are looking at, you could look at percentage, you know a percentage of every sale will go towards my peace of mind fund.

And it can sit there and back up in the background and then you’ve got that cash supply for an emergency. Because another thing that will get to a little bit further down the track is if you haven’t been monitoring your cash flow properly, that’s actually some of the cash that you could use. So if you’re bank account is feeling a bit low and you get big tax billing, you could use this cash over here. OK, so off you go, go into those couple of tasks and get them out of the way so you’ve got a clear head for our next topic.

So the second part of the money lesson today is about money coming in, so money that we are receiving from our beautiful clients that we have provided a product or service to. And I’m talking about money that could come in via cash. It might come in via a machine, a card terminal. It could be direct deposits. It could be coming through a PayPal account. Have a look at everywhere and think about everywhere that money is actually coming in and landing into your account. It’s really important with money coming in that we are monitoring the time that it gets to us.

So if you’re in the service industry, usually you are invoicing. If you are in the retail industry, cash is coming to you pretty quick because you’re putting it on card or people are paying cash. So if you’re in the service industry, it’s really important that you create some kind of policy for yourself and a procedure for collecting those payments. So, if you invoice and expect a payment every seven days, you need to have a plan in place for if that money doesn’t arrive in seven days. And this is where e all start to feel a bit guilty about ringing somebody and asking them to pay the bill that we gave them.

So that’s another thing to note in that mindset book by the way is if you are feeling guilty about ringing people and asking for the money that you just earned, you need to have a big mindset shift because it’s about your value. If you wrote that invoice and you know that when you handed it to that person, say it’s $1000 and you know that you did the work and you know that you were of value to that person, why is it so hard for you to ring them and ask them for that $1000? That’s your question and you need to work on the answer for that so that this process becomes easy and that it flows. It’s your money. It needs to come back to you. If you earned it, get it as quickly as you can.

So from an invoicing point of view, if you’re payment hasn’t arrived in seven days– I’ll tell you what my procedure is. I will actually send an email and I will actually put in the subject line: Gentle Reminder. “Here is a gentle reminder that your payment has not yet been received. Can you just have a look at that for me? You may have overlooked it. It may have already been paid and I have just missed it. Could you let me know that details if it has. If it hasn’t could you please fix that up within the next seven days?” And I actually give them another seven days because stuff happens and maybe they do need another seven days.

Now if at that seven-day point I haven’t received any money from them I will give them a call. So don’t keep using email as the excuse not to talk to somebody. At some point you actually do have to pick up the phone and talk to them. Because the other thing in this instance there may have been something wrong with your product or service and they’re not happy about paying the bill. This is the opportunity to clean that up and to clear it up and make an arrangement on when they will be paying the bill. So negotiate or renegotiate whatever it is you have to do but get that payment.

And if on the third time, they still haven’t paid, that’s when I give them an official letter. So one in the mail with a stamp on it that’s come from me that has my letterhead on it stating that I emailed you here and then I called you here and this was this arrangement we came to, it’s now seven days later and it still hasn’t happened. Unfortunately in this instance, if your payment is not received within the next 24 hours, I need to pass this on to my solicitor.

So you always want that time of that process to be no longer than 30 days, you need to keep fresh in people’s mind and you know there maybe something going on for that person in their world but you need to communicate. I think we often get too scared to communicate from this place of maybe they didn’t like my service and I don’t deserve it. We need to get empowered and follow it up and get that money into our bank account. Because the longer the money stays over there we’re still paying our costs to operate over here. So we need to get that cash flowing into our accounts as quickly as possible.

So if you’re having any kind of mindset challenges or blockages or stops, you need to write those down and get them cleared so that you have the confidence and the clarity to make those kinds of phone calls. Perhaps with your business you could consider something like a deposit or progress payment. One of my businesses is in property maintenance and we often have people ring up and want to book a service but they don’t pay until, so this was in the past, they didn’t pay until the service was provided. But we got so busy in that business that we actually– and then we would get a cancellation from that person and won’t be able to fulfill the other client’s needs. So we requested a deposit. And not only that, with that deposit that came in, it was a deposit to secure their job. So when that deposit came in, we actually use those funds to buy the equipment or materials that we needed to do their job.

So considered something like a deposit and then even a progress payment. If you’re in a business like website design, a website can sometimes take two months. It’s not necessarily over and done with in a month. So consider– instead of waiting 60 days for a payment, yes, you’re doing that project over the 60 days, put in some stages and get paid at stage 1 and stage 2 and stage 3 so you got that cash flowing in over those three phases rather than at the end. Because remember during these three phases you’re still having to pay your cost to operate. So it’s really important to stay on top of money coming in and make it– the aim of the game here is to make the money come in faster than it’s going out. So, get it coming into you quickly.

And I guess I’ve covered a little bit of on this in relation to making sure that you’re earning enough for you. How do I know that what I’m charging is the right amount of money? When we were looking at those examples before I did have wages in there and how did I come to that amount of what my wage was and what the value is. And the way I did that was I worked out my cost to operate, my household. So now I know my cost to operate my household, I can pay myself the right wage. And I’m lucky I got to benefit in the profits of the business. But it’s important to know over here in my household I can actually take back from this business this amount of money to make this household run.

So make sure you also are looking at while you’re doing all of your business sums you’re also looking at your household. What is it that’s costing you to operate? You don’t want to be drawing a weight of $200 when you actually should be bringing a $1000 into your business. So have a look at those figures as well.

OK. So now is your opportunity to take another pause at this second phase of today’s lesson. These tasks are all about dealing with your money that is coming into you. So we need to create a procedure or a policy, if you don’t already have one, create a procedure or policy around how you are going to collect your money. So you may need to implement that seven-day process that I spoke about or perhaps you would like to do it faster and do it every three, whatever it is, whatever works for you. Actually just have a procedure and stick it up on the wall and that’s what you’re going to look at every time you need to review your money situation.

Consider if you can create a deposit or progress payment plan within your business. Perhaps that’s something that will work with your client. You may have to test that a little bit and see. Have conversations with other people in your network and find out how they’re doing. Are they doing progress payments or direct or getting a deposit to start a project. That’s a great way to get the money in for you. Because also remember, when you start a project, you will have expenses and you need to be able to use their money instead of yours.

Make sure you have a procedure for tracking your money coming in. Most of you will be online with some kind of accounting software by now. But make sure that you are actually using that facility and you’re tracking it and checking it off every time that that money lands in your bank account.

And finally, you’ve got four on this list because this one is really important. You need to be looking at what’s going on over in your household and in your personal life in relation to your money. How much money must you make in order for your household to survive while you’re doing this business? So now for the final phase, the most important phase, monitoring and measuring your money. It’s vital to look at the numbers. You have to look at your numbers, I know some of you are going, “Oh, I just really like sit over here and design my pretty website.” “Oh I you know I just like to see my clients and have them feel relaxed and feel good about themselves.”

You are in business to make money either to pay yourself as in bare minimum or to live a life with lots of dreams and adventures and joyful things. So, you do have to monitor and measure your money on a regular basis. And before I mentioned monitoring it weekly and monthly and the catch up time that you have, if you are monitoring your business on a regular basis so say weekly and you’re looking at your reports, you can make an adjustment the next week. If you wait six months down the track, you’ve got six months worth of adjusting that you’ve lost out on. So, it’s harder. And then you don’t want to do it. And then you put your head in the sand. So looking at it weekly is obviously the easiest way to do it.

I want to take this opportunity in the monitor and measure phase to talk about the difference between cash flow and budget. We’ve heard those terms and you know I referred I now call a budget, a money plan. There are two very significant reports that you need to do in your business. But I think people don’t quite understand the difference. Because they actually look quite similar, a budget or money plan is where you sit down and you go, “OK, I would really like to let’s create a business, an online business that provides an online program for people to manage their money.” OK. I reckon that we would probably be really busy selling things in October, November, December.”

So then you start to focus there and it’s a guessing game in money plan. It’s in I would like place to be. And you determine your income so that would be your income and then you determine well how much is it going to cost to do something like that. And then you put in the expenses. Same thing that you do at home with your household budget, how much did my husband get paid this week and how much do I have to spend on groceries, electricity? It’s the same thing, it’s just different words.

So with your money plan, it’s a plan. It’s an idea of a where I want to go. A cash flow is similar in so far as it looks the same because you’re still watching the cash coming in from that business idea that you had. You’re watching the cash go out from the cost of that business. But the most important thing is down in the bottom there is the cash at bank. So you’re watching– and this is the timing game that I’ve been talking about is you’re watching the money coming in and the money going out. So it’s the actual movement of the money is the cash flow.

Another report that you’ll often hear in business is a profit loss. And it is an easy report. You’re either making a profit or you’re making a loss. It’s a simple subtraction to work what you are whether or not you’re not a profit or loss. All the profit and loss report is doing is saying these are all the web design customers that paid you. This is all your income. These are all the costs associated with that this month, you know you had to pay all of those fixed costs and then you had to pay extra for graphic artists or extra for something else. And then what you’re left with is your profit. So it’s a simple subtraction. It’s not complicated. Don’t get stuck in with the profit and loss report. It’s a way to monitor what you did with the money that came in and what you did with the money that came out.

And then other report that you hear about probably mostly from your accountant or even your financial institution is the balance sheet, can be referred to as a position statement or an equity statement. Now, balance sheet again it’s a simple subtraction. All that is, is your assets, so what you own less what you owe and that’s what you’re left with. So for example, I’ll just refer this back to a personal life experience where you’re in your household and you own your house and say your house is, it’s an asset and say it’s worth $800,000 and over on the liabilities, you owe the bank $400,000. So you’ve got your house worth $800,000 and your liability to the bank is 400,000. If you take 400,000 from 800,000 you’re left with 400,000. So that’s your equity.

So I just want to show you some pictures of Profit and Loss statements and Balance Sheets and just give you a little bit of an explanation so that when you see one you don’t feel overwhelmed and confused about what’s going on. If we have a look at this one, which you know it’s called a Budget Analysis, I like to call it a Money Plan. You can see on here that we have the income and it’s broken down into the different services that are offered. And then there are the expenses and you take the income from the expenses and you have the net profit or loss down the bottom.

And also, in this example you can see they’ve already got their budgeted figure in there so they have for example, for the spring water they have budgeted $3000 so somebody sat down at some point and when I reckon we could sell $3000 worth of spring water and what they actually did was $3306. So this money plan is showing what did we plan and what did we do.

The next pretty little number picture and remember these are just numbers on a page, how we feel about those numbers on the page is all up to us. These numbers could mean anything to anyone of us at anytime in our lives. So don’t get too emotionally attached to the number on the page. Knowing the number is an awareness exercise and when you know the number, you can then make the change.

This one is a Cash Flow and as you can see, it’s quite similar to the Balance Sheet where it’s talking about the sales and then it’s got the purchases and then the gross profit. And then from there they’ve put in their wages and their overheads so their cost to operate. And they are left with their net profit. And then after that, they’ve got their money flowing in and out. So the biggest difference between the Money Plan and the Cash Flow is the actual recording of what’s happening in the bank. All again a timing issue. So, all of– if you’re in retail, cash is coming into you all the time and you’re probably you know paying your bills once a month. If you’re in the services industry, generally, you’re spending the money and then you’re invoicing it. So the Cash Flows are slightly different but just as important.

Now this is the Profit and Loss Report. And again, very similar to the first one that we looked at, the plan for the money. But you can see it’s spread out over July, August and September and showing you all the income for each month and the expenses for each month and then totaling it off. So you can actually see, if you were looking at this in July and you’ve made that loss of 11,000, you can then see that you need to make something change in August. And perhaps they have, they’ve made a profit in August and they’ve made a loss in September. And then that’s an opportunity now to look at October and do a correction. If you leave that until the end of the year, you’ve got no time to do any corrections.

So I really need you to see that monitoring it monthly and having to look at those numbers on a monthly basis even if they’re not good, even if they are a loss, even if they are not according to your plan, you’ve got time to make a correction. You’ve got time to work harder, build more, charge more, whatever it is. But you’ve got a choice. So always look at your reports from a place of awareness not a place of “oh my god, I failed.” Look at them, I have an awareness now and with this awareness I can make a change.

Then we have the Balance Sheet which I like to call an Equity Position. Balance Sheet kind of makes me feel like, oh a bit over here, a little bit over here I feel a bit nervous about a Balance Sheet so, I call it an Equity Position which kind of makes me feel like I want to have good equity and it gives me that powerful feeling. So a Balance Sheet has your assets like your cash in the bank. Another asset if you’re in the services industry is invoices outstanding. However, you don’t want them sitting in assets for a very long, you need them to come up into your actual bank account. Then we have liabilities which is what you owe and the difference between the two, which is your equity.

So the Balance Sheet or Equity Position statement for me is the worst case scenario. If everything failed today and I had to stop not necessarily failed, but if everything stopped today and I had to sell all of my assets so I had to sell my computer, my car, I had to collect all of my debt, it all had to come in, top up the bank account. If I had to do all of that with my assets and then over here with my liabilities, I had to pay everybody out. I had to pay all my invoices for blessings and pay all the leases that I owed, I’d be left with a figure or not. So hopefully, be left with a little bit of cash to get on with your life or perhaps not. So the Balance Sheet is an important document. You do need to keep that Equity Position looking healthy.

So with this slide I’m going to give you a little bit of a sneak peak into something that I’m working on it within my business. And it is a plan for the money. And a plan for the money in the business we’re actually introducing a new service. So if you have a look at this spread sheet you can see that the money that comes in from financial therapy sessions, the money that comes in from planners, the money that comes in from workshops and the judging and speaking phase. We can get an idea there of what’s going on.

I want to just bring your eye to the blue highlighted part which is the Rich Living Online program. And you can see on here that nothing happens in July, August and September but then in October, November and December, we get this massive influx of money. And that’s because it’s an online program that gets launched in October and it closes in December. So the plan is for all of this money to come in in October and November and December because for me, January and February are my quietest months. It’s not until abut March that we really start to peak things up again. Kind of once people get their credit cards bills then they want to talk to me again. So just in this example you can see that that’s the money that’s coming in and then I’ve just put the actual costs here to operate that business. So you can see there’s some startup costs involved in there.

I then take another cash flow snap shot to show what would happen in October. Even though I’ve got all these wonderful ideas forecasting this money for $50,000 in October, what’s actually happening in October is week one was $10,000 came in, week 2 $15,000 came in, week 3 $20,000 came in. So it doesn’t all come in to the bank account on one day. It actually gets spread out. And I personally like that because then I have this lovely flow of cash coming into the business. Now the difference you can see here between the Money Plan and the Cash Flow is down the bottom with that yellow line. It’s actually monitoring the money that’s landing into the bank account. So again, the Cash Flow is the actual movement of the money.

OK. So how often is the question, how often do we monitor and measure what’s going on in our business? You need to measure weekly and monthly. And you need to not only measure and monitor, it’s easy enough for me to say OK, go measure and monitor. But you’ve actually got to do something. So you need to be setting aside your time not only to look at and understand the reports but also taking action that needs to happen.

For example, if you’re monitoring weekly and you’ve got the money coming in from clients and you’re missing a few payments, your action after that is to make your phone calls or do your letters or to do your emails. If you know money going out for payment is something that you need to monitor weekly and reconciling your account weekly. And I know reconciling your account can sometimes sound like, “Oh, I don’t understand what a bank reconciliation is.” All of these terms are a bit complex and they could be a little bit simpler to stop scaring us I think. It’s a matching exercise.

Do you remember that game that you used to play, we used to call if playmates where you put a little cards there and you’d go this one, this one, this one, this one it’s all it is, is a match up game. So you’re matching the money that you’ve recorded that’s coming in. So if you’re using a cloud-based accounting software program, you’ve already sent the invoices out so you can see a report where your invoices are. Oh look, there’s Fred Jones and I invoiced him a $1000 and then he paid it four days later. OK, match-match, match-match. That is all a bank reconciliation needs.

And at the end of the bank reconciliation, what you know for sure is the balance in your bank account. And with that knowing comes clarity. You either don’t have money, you might be overdrawn of or you might be in positive. But again, you’ve– get doing it within a week so you’ve got time to make adjustments and changes and tweakers the following week. I said tweakers, I mean tweaks. [Laughter]

OK. So then on to monthly, what do you do monthly? Monthly is all about those more detailed reports. So your Profit and Loss have a look at your Money Plan and see how you went. You did budget that you’re going to do $50,000 worth of sales, how did you go? Oh, I only did 10,000. All right, we’ve got $40,000 we need to make up next month. How do we do that? Put another plan in place. So it’s actually keeping you, you’re keeping the momentum, money momentum going. You’re not just sitting back and getting stuck in, “I know I haven’t enough sales. I really should be. Oh, I can’t be bothered.” When you do, when you actually do the monitoring of your money, there’s something that gives you that momentum to just keep going and to find out what actual answer is. There’s a sense of empowerment with it.

So, your Money Plan, your Cash Flow, have a look at what’s happening with your cash. Is that coming in or out? Is it getting stuck somewhere? What’s happening there? Your Balance Sheet, have a quick look over to that. And also have quick look at a Profit Loss. Another thing that I do in all of my businesses and it’s just to give me a little bit more stability is I do three different scenarios so– and just with the Money Plan by the way and not over every report so just the money plan.

What’s the worst case scenario that could happen? What is– so worst case scenario would be losing money, right? What is the break even point? So the break even point is where we can pay everything but we’re not making any money. And then what is my purpose and my purposeful want and desire for my money. So three different scenarios and you can always match them up at the end of the month. But we’re actually not quite at worst case scenario yet, we’re still at break even point, it takes the pressure off, having those little pictures available for you. And oh you know, I just review them every 12 months or so.

So now I’d like to you take this opportunity again to just hit the pause button and reflect on monitoring and measuring without guilt. So just observe and have a look at what has stopped you from monitoring and measuring in the past and what you can do about the future. So take some action as well. Don’t just sit in reflection. Take some action and start to schedule into your diary weekly dates with your money. So, weekly money meeting either with yourself or with an accountability partner. Some people have great accountants that will give you access you know maybe just sending the reports to them is accountability enough for you. Find somebody that you can do that with. I think that makes it a little bit easier if you know you have to do it. But be careful because in there is also a hidden reason about why you’re not doing it for yourself.

Have a– so have a look at that scheduling your time weekly and monthly and I want you to treat it with respect. It’s very easy when you think you’re not good at something or you think that you’re too dumb or too stupid and won’t be able to do it to put it off. And you can’t, you can’t put this off anymore. You need to get into the habit of monitoring your money on a weekly basis.

So put it in, I have Financial Freedom Friday because Fridays for me **[0:46:31.9] [Indiscernible]** so I have Financial Freedom Friday and that’s where I can sit down and I can go through everything. And it also gives me time to readjust for next week and put in a plan to start for Monday. So you could have Money Monday, you could have Wealthy Wednesday, whatever it is, be committed to that appointment like you’re committed to a client. You know client you may put off once but you very rarely do where you put off client off more than once. Treat your money with respect and you’ll get that respect back from your money.

When you are working out what it is that you will do on your money appointment, your money date? Think about what it’s going to look like. Am I going to do it at a coffee shop? Am I going to do it with the music on? Am I going to put a candle on? Am I going to do it in a special area of the house? Whatever it is, start to frame it up and give it some love. Love it up and give it some special sacred space where you are going to be committed to that money and learning and creating awareness about where your business is going.

So that’s brings us to the end of your money lesson Knowing Your Numbers. I hope by now you’re feeling a little bit less worried and stressed and anxious. And I really hope that you’re feeling a bit more confident and have some clarity about what it is you are doing with your money and what it is you’re wanting to do with your business. And as I mentioned, money is more than money in our bank account. It’s more than our credit card bill. It’s more than the bills that we have to pay. It’s actually a three-way circle if you like.

So we have this practical aspect to money where we do the reports and we monitor and we look at numbers. Then we’ve got the emotional aspect that’s either helping us do that or not. It’s where we get stopped. It’s where we don’t believe in ourselves, we don’t think we can do it, those kinds of mindset beliefs. And then we also have this purposeful area where we need to be thinking about what is the purpose for our money. We want to be in business this year so that we can create another bigger business in another state or another city.

One of the things I did with our business when we first had our first child was not– our first business together as husband and wife was said, let’s just create a business so we can pay the bills. And all that business did for five years was pay the bills because we set the intention and we set the purpose of that business was going to do that. At the five year point we went, “Hang on a minute, what are we doing this for?”

So money always has those three elements intertwined and it’s fluid, it’s organic, it’s not something that is practical, emotional and purposeful. It’s not like that. It’s not linear. They actually all just work or not work in synchronicity with each other. So if you feel that you’re being stopped with your money, have a look at your practical side. Am I monitoring my money weekly? Oh, I’ve slacked off a bit. Or I need to get back into that. Or maybe it’s I’ve got so much to do and all of this money is coming in and I just don’t know what to do with it and I actually, I don’t know, I don’t deserve this much money. That’s a mindset belief and an emotional connection with the money that needs to be sorted and repaired and healed.

And then there’s purpose. Like I said, you know we want this business to pay bills for five years. Well, that’s all it did for five years until we changed our minds. So make sure that you’re looking at all of those aspects in your money. And then you’ve got harmony with your money. I love that.

Thank you for joining me. I hope to see you soon.

[End of transcript]