

Top 10 Tips

Look after your personal finances



Check your bank statements and cut back on non-essentials. Make sure you pay yourself so you can look after your personal expenses. You and your family's well being is the top priority; look at all of your costs and what you might be able to cut back on temporarily. Access the financial help that's been made available through Government support packages.

If you manage your finances responsibly chances are you have peace of mind and know how to:

- Pay your living expenses
- Keep debts to a manageable level
- Save for the extras that make life enjoyable
- Avoid constant money anxiety

The following activities could help you achieve good personal financial health:

Separate your personal and business finances

- Make sure you have separate business and personal bank accounts. Only use the personal account for personal expenses and the business account for business expenses.
- Keep your receipts in separate shoe boxes. You don't need to actually use shoe boxes to store receipts (in fact, something a little more elaborate is a good idea), but whatever you use should have two physically separate locations for personal receipts and business receipts. If you don't have time to collect and sort both personal and business receipts, prioritise your business receipts.

- Set a business budget and stick to it AND set a personal budget and stick to it.
- Make sure your family and business partners understand the status of your business. It's important to remember that you're not always the only person involved in either your personal finances or your business' finances. Making sure that everyone is on the same page now can prevent problems later on.
- Be clear about what is a business expense and what isn't. Among the biggest pitfalls in keeping your finances separate are entertainment, food and travel expenses. It's tempting to try to write off as much as you can as a tax deduction, but the simple fact is that dinners out with family and friends will not qualify as business expenses, no matter how you arrange things.
- Keep logs of business use. If you use a personal item, such as your car or your cell phone for business purposes on a regular basis, you should be keeping track of the split. Of course, life would be easier if you could have a separate car and a separate phone just for your business. If that isn't possible, there are plenty of easy logging tools to use, especially for smartphones.

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Know the cash in and cash out for your household

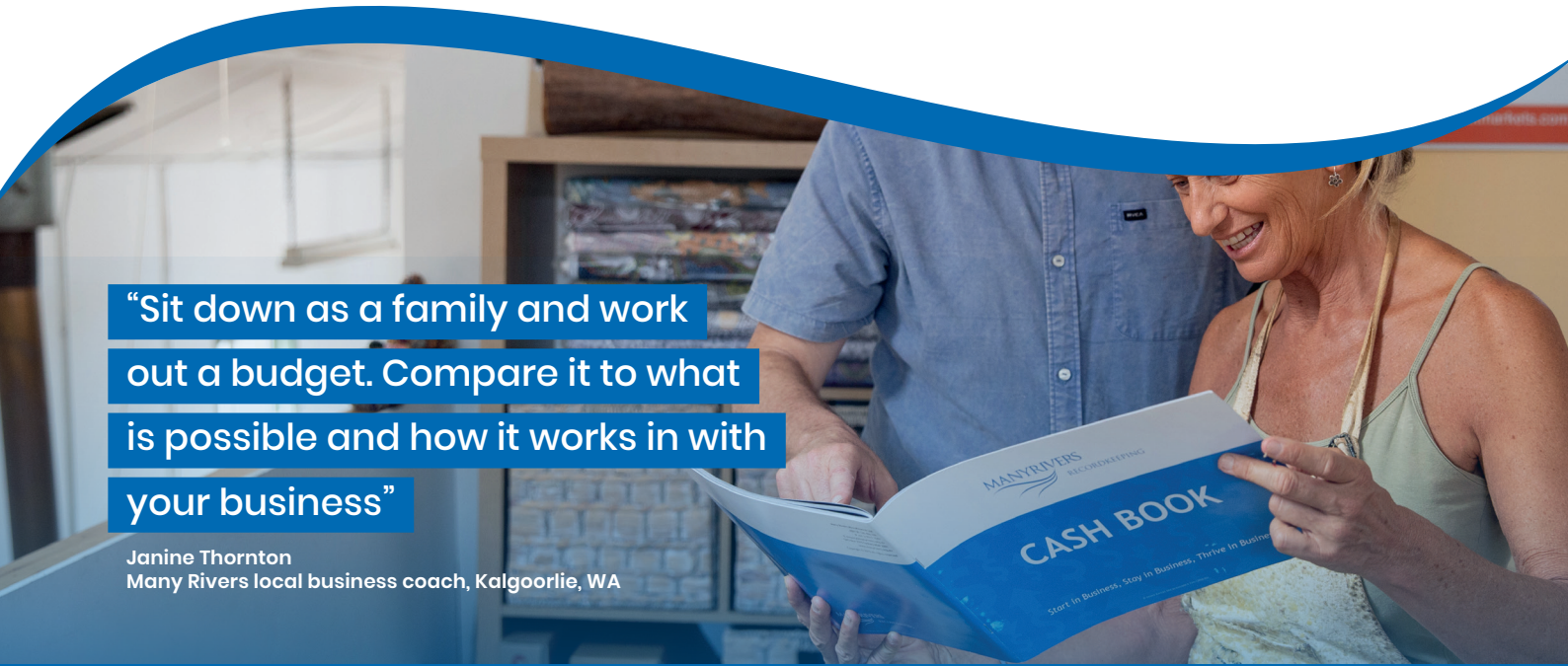
- Start by making a list of all your household income sources and the amounts. Include everything: wages (after taxes), commissions, self-employment income, child tax benefits, pensions, child maintenance & spousal support, and other regular income.
- Now it's time to record your spending. This can be difficult because for most people, they are clear about where their money comes from, but not as certain about where it goes. Spending includes everything you spend your money on; anything you typically think of as "expenses" (utility bills, groceries, transportation costs), and savings for a rainy day, debt payments and life insurance premiums are all expenses as well. If you keep records of family spending, this is the best place to start. Many families don't record their spending, so you may need to gather spending information from bank account or credit card statements, cheque register books, receipts or bills.

- Next work out the timings. Some of your cash out will be on a weekly or monthly basis, e.g. fuel for the car, groceries, paying utility bills. There are also seasonal or annual expenses that need to be accounted for, e.g. gifts, vet bills, holidays, home repair, new glasses or clothing. Your cash in timing could change as well so make sure you know when it is expected to arrive in your bank account.
- Finally, make sure your cash in is greater than your cash out. You should always have some money in your bank account. If you find that this is not the case you will need to...

Separate needs from wants

As people track their spending, they discover that some of their money gets used for things they really don't need. Instead, they merely want them and often buy them impulsively. Impulse spending is unplanned spending; purchasing things that you may or may not need, or spending more on an item than you'd planned.

The key to good money management is separating needs from wants. If you aren't sure if an item is a need or a want, do without it for a period of time.

A photograph showing a man and a woman looking at a blue 'CASH BOOK' together. The man is on the left, wearing a blue button-down shirt, and the woman is on the right, wearing a light green tank top. They are both smiling and looking at the book. The book has 'MANYRIVERS ACCOUNTKEEPING' and 'CASH BOOK' printed on it, along with the slogan 'Start In Business, Stay In Business, Thrive In Business'.

“Sit down as a family and work out a budget. Compare it to what is possible and how it works in with your business”

Janine Thornton
Many Rivers local business coach, Kalgoorlie, WA

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If after that time you truly can't live without it, it may be a need. However, even the essentials like shelter or transportation involve a want vs. need calculation. For instance, you may have evaluated all possible transportation methods for you to get to work and determined that you need to purchase a car. You now have a new choice to make: what car is most appropriate for your budget and personal finances.

Set aside some money for future (un-expected) events

If you are experiencing financial difficulty, savings may be the furthest thing from your mind. However, even during this time, it is vital that you plan to have money for the unexpected. Setting money aside for savings is the difference between having a budget that works and one that doesn't. Not only does it protect you from financial disaster, it also helps you to meet your financial goals.

People who have savings available to pay for living costs and seasonal expenses if an emergency arises, do not need to rely on credit that they may not be able to afford to pay back.

There is no magic number that tells you what you should be saving each month. It depends on your income level, your debt load, your life stage, as well as your financial goals.

At first you may find it difficult to set savings aside. If you have outstanding debts to pay or you aren't in the habit of saving, it's important to get started. Save a small amount from each pay cheque at first and increase the amount as you are able to. You'll be amazed at how quickly your savings can add up once you just get started!



Get in touch

Many Rivers clients can contact their local business coach directly or via 1300 626 974.

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