

BUDGET-WISE:

Prospering Within Your Means

Several years ago, a colleague of mine—a writer and teacher—went to a financial planner for help with his family's finances. After considering my friend's expenses and income, the planner came to a conclusion: The problem, this expert said, was not that my friend was mismanaging his money, but that he simply didn't make enough.

My friend told the story with a laugh—he hadn't chosen his vocation for the money—and he wasn't planning on changing fields. He also came face to face with the great American myth: Money trumps all.

In fact, this friend, on a limited income, lived quite well, and continued to do so, despite the planner's cautions. His secret? He enjoyed his work, and lived within his means. He and his family didn't have everything, but they had enough. And they're well on their way to a secure retirement and a college education for their son, contrary to what the financial expert predicted.

Such financial prudence is key to creating a recession-proof business. When you create a disciplined and non-anxious approach to your finances, you create a business that can stand the test of time.

We asked Judy Lawrence, financial counselor and author of *The Budget Kit: The Common Cents Money Management Workbook* (www.moneytracker.com; 800-283-4380), how to make a financial success of things—no matter what your income.

STEP ONE: START WITH YOUR PERSONAL BUDGET

According to Lawrence, success all starts with knowing exactly what comes into your wallet—and what goes out. And just as charity begins at home, so does a balanced budget. If you don't know how much you need to live on each month, you will have trouble knowing how much money you can devote to your business.

"This will help you to make your own life as de-stressed as possible," says Lawrence. "You need to have your financial life well organized, so it is not taking energy from your personal and work life."

She suggests creating a monthly budget, listing all your expenses and income. (See worksheets on Page 111.) This will include everything from the big-ticket items—rent, telephone, car pay-

ments—to the smaller, not-so-obvious ones, such as postage, pet food, snacks and vitamins.

According to Lawrence, many Americans don't know how much they really need to live on. "It's important to be organized and to know," she says, "so inside you own that information."

In order to accurately track your monthly budget, she suggests tracking your daily spending for a few months. Carry a small notebook and choose a regular time of the day in which to total up the day's receipts, to see exactly what you spend. Not only will this help your recordkeeping, but recording your spending has a helpful side effect: We tend to spend less when we spend consciously.

Once you know how much money you earn, and how much you spend, you can start to see where you need to cut back, or where you need to earn more.

After you have gained a sense of control over your personal budget, you can move on to the next step.

STEP TWO: CREATE A BUSINESS BUDGET

Now you need to create a budget for your professional life, one that includes all your expenses, including your rent, equipment and supply purchases, marketing efforts—even the cost of cleaning your sheets.

"A big part of this is for peace of mind," Lawrence says. "Running your own business, and not having a dependable income, can be very stressful—and the irony is that when you're in the massage business, it's all about reducing your clients' stress."

Your work expenses should be kept separate from your personal expenses. And you should know exactly how much you need to have, at a minimum, to run your business.

When you determine the amount of money you need to live comfortably and to work, half your battle is fought since your greatest stumbling block to secure finances is not paying attention. As painful as it may be initially, facing the truth will only help your business. As Virginia Woolf said, "If you do not tell the truth about yourself, you cannot tell it about other people."

STEP THREE: SET FINANCIAL GOALS

Once you know how much money you need to live and work each month, you can set your finan-