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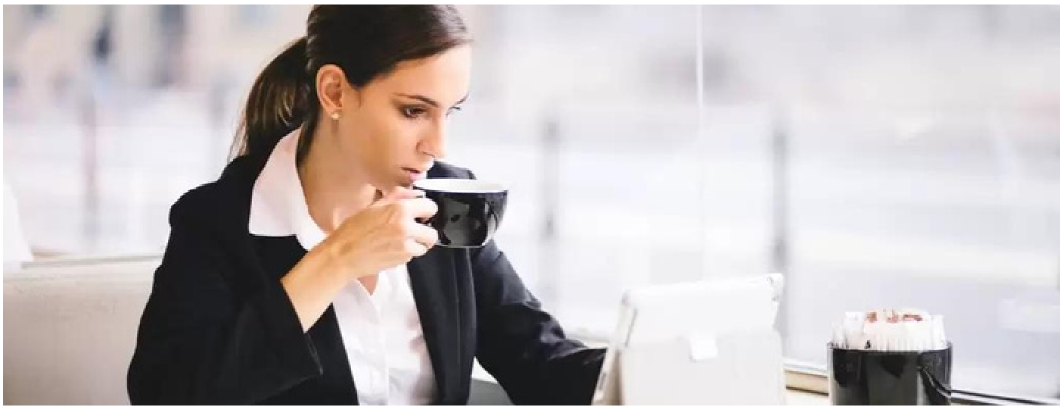
WEALTH MANAGEMENT

How to Manage Money Like a Pro



I was once an epic over spender, but these days I'm constantly surprised that the way I manage money leaves positive balances in my accounts. And how quickly my balances grow.

So what's my secret?

In a word: Automation

I'm not talking about any old kind of automation, though, and I'm not talking about just "paying yourself first." Throwing money in a savings account is great, but if you don't know how much you can SPEND, when it matters, when you're standing at the cash register, you're lost.

I know my special brand of automation works.

I credit this system of money management with totally transforming my financial reality, and when I act as financial coach, I love to teach it to my clients; whether they're paying off debt or living off of their multi-million dollar portfolios.

Here's how it works:

Financial automation starts with a series of multiple accounts. Money flows automatically through recurring account-to-account transfers that you set up based on your own income, expenses, and goals.You give yourself the equivalent of an allowance by transferring a metered amount into one account that becomes the only account you spend from.

When I offer Wealth Coaching services, I always insist that this system comes first. I walk my students through setting up their own account automation step by step, so they now manage money far more effectively. Truth is, most people don't have an income problem–most people have a money management problem that translates to a spending problem.

Most people spend what they *want* in the moment and save just what's left over. But that's a recipe for disaster.

Without fail, after a few months of letting automation work its money management magic, my clients send me grateful emails about how surprised they are that they have more than they thought.

Some experience actually having *enough* money for the first time.

The coaching is simple, too. I recommend that my students set up a series of five or more accounts, only one of them with a debit card for spending. The other accounts are a combination of savings and checking accounts that are, quite literally, channels into which money will flow.

Here are the accounts I recommend, along with the verbatim names I ask my students to put on their accounts:

- Yesterday's Promises: For existing monthly expenses: rent, cable, utilities, mortgage, gym memberships, insurance, cell phone, and other recurring charges. This is a checking account, and if you choose to get a debit card for this account, it isn't one you carry around with you. The amount of money that goes into this account represents your monthly overhead.

- Tomorrow's Dreams: This is your retirement savings. If you don't like the word "retirement" — this is your "economic independence" fund.

- All Things Auto: Assuming you drive a car, this is for maintenance, repairs, and for your next car. It's always a better idea to not buy more car than you can afford to pay cash for.

- Other Savings Accounts: I have one for vacations and holiday gifts. You might have one for the kids' college fund, a boat, your next computer, or whatever you're saving up for.

- Curveball: I don't like financial emergencies, so I don't have an "emergency fund," nor do I recommend my students have one. What I do suggest is a Curveball Account. It's not just semantics; it's really fundamental to how you create your financial life. At least a third of our spending occurs in lumps. That's normal — not an emergency — so set aside funds for those opportunities.

- Today's Fun: This is the lynch pin. This one makes everything else work, and it's where your allowance goes. It's for anything and everything else you want to spend your money on. The funds in this account are all yours to use at your discretion, but as soon as they're gone, you have to make an agreement with yourself that you won't "borrow" from any other accounts. In an ideal world, you calculate the Today's Fun amount after you've decided how much goes into the other accounts. It's what's left over. Instead of saving what's left over, you spend what's left over. It's a huge change for most people, and it is what enables you to become truly financially free.

You can set up and fund these accounts to better manage your money now. The system also scales so you can effectively manage inheritances, raises, and the like. In this way, money can pool and then flow through these accounts to give you the experience of having enough.

To learn more about the special brand of automation that I coach people through, click here to download an infographic that shows you exactly how the flow of accounts works to help you manage money like a pro.

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