

## **Personal Finance Sheet**

Do you know that mistakes in personal money management is one of the reasons why investors lose money in the market? It happens way too often that investors run out of 'cash' to cover (unforeseen) living expenses and are therefore forced to sell some of their investments (often at a loss) in order to solve the lack-of-cash problem. We want to avoid this, and luckily this is really easy to do! We have designed a personal finance sheet that helps you determine, in 6 easy steps, exactly how much money you can invest, without ever running into financial trouble! The 6 steps are :

1. Set up an emergency fund
2. Determine how much money on your current savings account you won't need the coming 5 to 10 years
3. Look at your current income
4. Look at your fixed expenses
5. Determine your personal 'profit'
6. Allocate your 'profit' to different 'buckets'

Let's start!

## **Step 1 : Set up an emergency fund**

Believe me, you don't want the stress of being short on money when disaster strikes.. I personally experienced this and it wasn't a fun time. Setting up an emergency fund that covers unforeseen expenses or lost income is absolutely essential to do before you invest. Unforeseen expenses can be anything from a broken car to medical costs. While lost income can be due to losing your job. Be prepared for such situations by having an emergency fund in place **that covers at least 6 months of living expenses**. Depending on your personal preference, you can also increase this amount so that it covers a longer period of time.

**Actionable step** : Set up an emergency fund that covers at least 6 months of living expenses *(If you haven't done so already, the monthly living expenses will be calculated in step 4)*

**Step 2 : Determine how much money on your current savings account you won't need the coming 5 to 10 years**

Take a look at your current savings account, how much money do you have? And how much of that money will you need the coming 5 to 10 years? The difference between those two is the amount of money you have available for investment.

**Actionable step :** Calculate the money available for investment in the table underneath

<b>Account</b>	<b>Amount</b>
Current Balance on Savings Account	
Money I will need the coming 5 – 10 years	
Money available for investment	

### Step 3 : Look At Your Current Income

Income is very important for the investor. A higher income means you can probably invest more. How much money are you earning each month? Can you increase this income in any way?

**Actionable step** : List all of your monthly income streams and calculate the total monthly income

[illegible]

## Step 4 : Look At Your Fixed Expenses

Earning money is important, but how much you spend is equally important. How much money do you actually keep in your pocket after subtracting all **fixed** expenses? Fixed expenses are expenses you have each month, and cost roughly the same each month. Think of rent, mortgage payments, subscriptions of whatever form, food, insurance, medicine etc. Can you cut expenses somewhere and invest that money?

**Actionable step :** List all of your monthly fixed expenses and calculate the total monthly amount

[illegible]

### **Step 5 : Determine Your Personal 'Profit'**

So now we know how much money we earn, and how much we spend on fixed expenses each month. The difference that is left over after subtracting the fixed expenses from our income is our personal 'profit'.

**Actionable step :** In the table underneath, fill in the total monthly income from step 3. Fill in the total monthly fixed expenses from step 4. Now calculate the difference to get to your 'personal profit'.

<b>Total Income</b>	
<b>- Total Expenses</b>	
<b>= Personal Profit</b>	

## **Step 6 : Allocate your 'profit' to different 'buckets'**

So now we know our personal profit. This amount can be used for multiple different things such as investing, but it can also serve different purposes such as cover 'fun expenses' such as holidays and days/nights out.

We will categorize the different 'things' our money can be used for by allocating our personal profit to different 'buckets'. The concept of using different buckets is used by many successful individuals, such as **Tony Robbins**, who inspired us to adopt this step in managing our personal finances.

Examples of buckets are :

- Investing Bucket
- Fun Expense Bucket (such as days/night out with family and friends, hobby's, holiday's)
- Education Bucket (ranging from college tuition to self-education)
- Charity Bucket

You can basically make any bucket you want, but we advise to keep it as simple as possible and use only a handful of buckets. Allocate how many % of your personal profit will be divided among which buckets. Of course we advise to invest as much as possible, as long as it doesn't affect your daily life too much. The rest is up to you!

**Actionable step :** Fill in the table on the next page, where you can list your different buckets and assign how much of your personal profit you will put in each bucket.

[illegible]



## Putting It All Together :

Now we have an emergency fund in place, and we know how much money we can invest at this moment. Also, we know how much money we can invest every month, based on our bucket system. Putting it all together, we are now going to look at the best way to invest this money.

We recommend you invest your money periodically, which is called Dollar Cost Averaging (DCA). The benefits of DCA is that you avoid a lot of risk, since you avoid 'bad luck timing'. An example of 'bad luck timing' would be investing **all of your money** at the height of the tech bubble of 1999. You would lose a large part of your money within a very short time, which is something you can easily avoid by using DCA.

### *An Example of 'Bad Luck Timing'*



I recommend that you divide the amount of 'money available for investing now' (from step 2) by 12 or 24. This amount + the amount that is in your monthly investing bucket (from step 6) is the total monthly investment capital.

**Actionable Step :** Divide your 'money available for investing now' (from step 2) by 12 or 24. Then add up the amount that is in your monthly investing bucket (from step 6) to arrive at your total monthly investment capital.

Account	Amount
Money Available For Investing (Now)	
Investing Bucket (Monthly) /12	
<b>Total Monthly Investment Capital</b>	

That's it! You have now organised your personal finances, and you know how much money you can invest each month. Update this file as soon as your income or expenses change and keep adding money to your portfolio!

**Actionable Step :** Invest each month!