

Have you ever done this? Somebody says, oh, that's a really nice shirt and the first thing you say is, oh, this? I got it on sale. Now there's two things going on here. Number one, you grew up in the Midwest or you grew up with immigrant parents who were constantly talking about cost. You have taken that belief that if you actually just say, thank you, it comes across as weird or maybe even arrogant. That if you don't talk about how little you spent, oh, this, I got it on sale. Oh, that, I got it on sale. Oh, that, I found it in the landfill. That you are somehow morally a bad person. Let's flip the script.

You can spend a lot on something as long as you can afford it and you love it and you are still a good person. Your spending leaves clues. In fact, I can already tell a lot about you just by looking at where you spend your money.

Let's walk through a real life example. Here's someone's breakdown of their monthly spending. We have 3,000 for fixed costs. That's mortgage or rent. That's groceries. That's what it takes to keep the lights on every month. We have 500 bucks for minimum payments on credit card debt. \$1,000 a month going towards savings. \$400 towards long-term investments. Zero for vacations. \$300 for discretionary fund money. I can tell you quite a bit about this person just from these numbers.

This person is almost certainly an avoider. They are not looking at their money on a regular basis. Their spending habits are out of balance, leaving them with almost nothing for really living their life. Zero for vacations. Only \$300 for discretionary spending. They're actually avoiding taking control of their money.

When people put their numbers together, we really start to understand what's going on. And that's when we see everything come to life with our spending. I just don't feel confident about those numbers though. Why? I don't know if it's correct.

By the end of this episode, you will have a step-by-step plan for spending your money, saving, investing, and you'll be able to do it with confidence. It's called the conscious spending plan.

When I ask people to describe their rich life, it's a pretty big question. I wanna do an exercise together where we get ultra specific. Just close your eyes just for a few seconds and imagine your perfect Tuesday. What time are you waking up? Maybe you're going for a walk in a park, taking your dog. Maybe you are picking up your children from school in the afternoon. Maybe you're doing a little bit of work. What does that day look like for you? It's vivid details, it's specifics, and they can be something that is so small, but meaningful to you.

This is what I mean when I talk about describing your rich life. One

of the most common mistakes about visualizing a rich life is thinking that it's got to be ultra luxury and extravagant. A rich life isn't about buying the most expensive stuff. It's about looking at your life and asking, what actually makes me fulfilled? What brings me that deep sense of joy and calm? I want you to redefine your rich life vision for you.

We just went through one day of what your rich life could be. Now you can start to imagine what a rich week looks like, or an awesome month, or even the next 10 or 20 years. But how do we make it happen? Right now it's a dream. We are going to now talk about how to use your money to make these dreams an actual reality. What is your budget? When people come to me and ask for help, one of the first things they say is, I know I really should keep a budget. I go, really? When was the last time you kept a budget? And they're like, 1978. I don't want to keep a budget. Nobody wants a budget, and yet we keep talking about it. Let's just take it off the table. Everybody take the budget. Get rid of that freaking thing. We're not doing a budget here. I find budgets incredibly depressing and confusing. That's why we don't use budgets. I prefer something called a conscious spending plan.

One, two, three, four key numbers that matter, and it's focused on the future. Budgets look backwards. Conscious spending plan looks forward. Where do I want my money to go? Where do I want my savings to go? What happens if I make unexpected income? All of that is baked into four key numbers. If you know those numbers, you never need to worry about the price of coffee again. You're gonna build the simple, flexible plan that helps you focus on the \$4,000 questions, not the \$4 questions. It's gonna be concise, and it's gonna be personalized for you. But before we set up your spending plan, let's get a baseline of your net worth. This will give you a snapshot of where you are today.

To calculate your net worth, you need four numbers. Assets, investments, savings, and debt. Assets, which include the current value of your car, your house, any property or business you may own. Your investments, which include any retirement or non-retirement accounts, all investments. Your savings, which include any money in savings, and even a checking account. And finally, your debt, including student loans, credit card debt, your mortgage, or even private loans. Now add up assets plus investments plus savings, subtract debt, and that number is your net worth.

Next up, we have the four key numbers in the conscious spending plan. Your fixed costs, your savings, your investments, and your guilt-free spending. I wanna walk you through them right now. The first category is your fixed costs. This is your rent or mortgage, utilities, car payment, any credit card debt, groceries. It's essentially what you need to live life on a monthly basis. My suggestion is that that number, when you add it all up, should be 50 to 60% of your take-home pay. That's money after taxes. Next, we have savings. This is

typically an emergency fund. It could be money that you're gonna use in the next one to five years for something like a down payment or a new car. My suggestion is five to 10% of take-home pay.

Next, we have investments. This is where the real wealth is created. This is where money, whether pre-tax or post-tax, goes. These investments might be in your 401K, your Roth IRA, or any other type of investment account that you have. My suggestion, five to 10% of take-home pay, although the higher the better, because again, this is where real wealth is created.

And finally, my favorite category of all, guilt-free spending. This is travel, this is eating out, this is clothes, this is all the things that you love to do. 20 to 35% of guilt-free spending. When people hear that, they go, wait a minute, I can spend 20%, 30% of take-home pay? And you can spend that money on as long as you are hitting all your other numbers. So imagine this like a puzzle. As long as your puzzle pieces are fitting, you can spend money however you want. I'm not here to judge. It's your rich life, not mine.

I get that if you look at these four numbers, it can feel overwhelming. If you are simply trying to pay the minimum how are we talking about investing for retirement? And yet, I want you to stick with me, because we don't have to do it all at one time. When you look at your actual spending for a month, you can conquer one of the biggest barriers in your own money psychology, because we are shining a light on our actual spending, and that's scary. But that disinfectant of sunlight, suddenly it's not so scary. It doesn't mean you're a bad person if you spend a lot eating out. I don't mind. Doesn't mean you're a bad person if you have debt. We can fix that. But we have to know the actual numbers, and then we can make a plan.

So once you have an accurate count of the four numbers in your conscious spending plan, we have something really fun to do next, which is focus on how you can actually spend more, yes, more, on the things you love. I call it money dials, and we're gonna get into it right now.

Have you ever considered spending more on the stuff you love? When I graduated from college, I wanted to learn how to dress better. So I asked one of my friends to take me shopping. And of course, the first thing I was doing was looking at the price tag. That's how I was raised. She goes, don't look at that. I was like, what? She said, try it on first. If you love it, then we'll look at the price. And this really blew my mind. We grow up, how much did it cost? Oh my God, I can't believe you paid that much. Cost, cost, cost. But what transformed for me was realizing that let me start with the vision. Do I love this thing? Is it meaningful to me? And once I start there, then I can decide if I can afford it or how to afford it.

One of my favorite things to do is to ask somebody, what do you love to spend money on? But truly love. And you see their eyes light up. The most common answer is food. People love to eat out, they love to try new foods. The next most common one is travel. The third most common one is health and fitness. And I call these money dials. They're like a dial that you can turn up or turn down. Let's start by identifying your money dials. Here's some common categories, but feel free to make up your own. Food, travel, health and fitness, experiences, relationships, generosity, luxury, self-improvement. Choose which ones are your money dial. Next, rank them. I want you to pick one that is the most important to you right now. This is challenging for people. One of the most common questions I get is, what if they are all important to me? And my answer is they're not. There's one that gets you excited. That's your money dial. So how are you gonna bring that money dial to life? How are you gonna spend more on the area that you love? The answer is to identify what else you're willing to cut back on.

For some people, they take one less vacation. For most people, the most common answer honestly is they stop eating out mindlessly. Where should you never cut in order to fund a money dial? Personally, I would not cut if you are in therapy. I would not cut if you are paying high interest debt like credit card debt. I love a money dial, but you can't afford that right now while you have high interest credit card debt. Other than that, I'm pretty flexible. You've seen that you can go from unconscious spending to conscious spending.

Now it's time to use a system that will help you do this automatically. I spend about one hour per month on my finances, and that's exactly what I want you to do too. When I was in high school, my parents told me, if I'm going to college, I better find some money for it because they didn't save anything, they couldn't. So I built a system to apply to 65 scholarships. And by the end, I was churning out applications, and that was taking me about one hour each. I was able to win enough scholarships that my system paid for my undergrad and grad school at Stanford. And that is the same approach I want to teach you about money. Do a little bit of work right now, and then let that thing run. Because I don't want to be checking on my credit card statements for the rest of my life every two days. I want my system to be running it for me. Automation is so powerful, it's so powerful that it can go where it needs to go on its own.

I want to show you how to do it. Which accounts should transfer to which accounts? Let's get into it. Your account should be connected with each other so your money can be automatically transferred, which means you don't have to move money around manually. Your checking account, your investment accounts, and your savings account should all be connected to each other. Let me walk you through a typical pay check flow system. You get a pay check. Money even gets direct deposited. Some of it is taken out for your 401K retirement. Perfect.

The rest of the money goes into your checking account. Think of that like your email inbox. Everything operates from this place. From there, part of that money is taken to pay your fixed costs. Those are things like bills, your rent or mortgage, groceries, debt. That's paid usually through a credit card, and your checking account pays that credit card off. You're going to go to your credit card and you're going to instruct it every single month on the 10th of the month. Pay it off in full. If you have debt, you log into those accounts. You instruct it exactly how much to pay every single month. Next, we have your savings. For most people, this is an emergency fund. Maybe a down payment for a house or an upcoming vacation. When your money gets sent to your checking account, you can instruct your savings account to pull money from your checking account. Then we have your investments. Even though you've already done a 401K, you might want to invest a little bit more. Maybe something like a Roth IRA or other investments, which we'll talk about in the investing episode. You can instruct that account to do it automatically.

And finally, guilt-free spending. Eating out, traveling, anything you want. What you will notice here is that number one, this entire system closely mirrors the conscious spending plan. All of this is really simple. And you are not logging in and looking at bills and doing this stuff manually. Just let the computer do it for you. It's like a beautiful concert. It's all working together all at the same time.

Let me tell you what it feels like. You know that every single time you go out to dinner, you can afford it. Because you have already automatically saved money, you have set the systems up, and you can check a couple of times just to feel confident. But over time, you realize this actually works. And best of all, you get to elevate and focus on bigger, more meaningful questions. This is the beautiful power of automation. This is why I encourage you to set this system up once and benefit forever. You don't have to think about it. It just works.