**TBP 189 Edited\_Transcription**

[Daniel Hill] (0:05 - 13:53)

Welcome to the Blueprint Podcast. In these episodes, I'm going to share with you my life's work boiled down into simple blueprints that I used to build a 10 million pound portfolio and retire with financial independence at the age of 35. You can listen to these podcasts in any order and I guarantee you that when you execute them in practice, you will see that success and failure are both very predictable.

Let's get into the next blueprint. One of the biggest misconceptions we constantly see in wealth creation is people thinking bigger is better, driving for the top of the mountain and growing, growing, growing. The reality is if you want to get really wealthy, it's not how much you make, it's how much you keep.

In this podcast, I'm going to take you through the basic steps of how to get your own cash flow management under control because this really is the place you have to start. Most people are running around just hoping the debit card works, living off the bank balance. That is not how you create wealth.

And if you're not managing your own personal finances down to the penny, the game of wealth creation in business is going to be over before it started. In this podcast, I'm going to take you through the personal cash flow management blueprint, which will show you how to know down to a penny in less than 10 seconds at any time through the year, how you're doing against your set budget. When you start to focus on it's not how much you make, but how much you keep, I guarantee your wealth creation, both in personal life and business will grow exponentially.

And this is the blueprint that I use personally to go out and do exactly the same. So I'm going to take you through this blueprint and it's called personal cash flow management. So PCM, think per calendar month, PCM, personal cash flow management.

And what this will do is it will tell you exactly to a penny in less than 10 seconds at any time through the day, week, month or year where you are against budget. Most people genuinely have no idea how much they spend. If the debit card works, they go to the bank, they put on a credit card, they think everything's okay.

We want to work our personal finances to exactly the same level of diligence that we do our professional finances and I just fundamentally guarantee your wealth creation when you do this will go absolutely through the roof. So there's two parts to this. One is personal cash flow management, PCM, and the second is what's called the three card hack trick, which I'll share with you at the end.

So the personal cash flow management is basically a budget and what it does is it automates the way that we use our personal finance. Now, if you log into your personal bank, NatWest, HSBC, Santander, whatever, it's likely you've got hundreds of transactions a month coming out of there. Everything from 2,000, 5,000, 10,000 pound a month for your mortgage down to one pound 50 that you paid for a bag of crisps at the service station.

That is just noisy. It's messy. You are never going to see, even with an app or like money dashboard, you're never really going to see what you're doing and have control over what you spend.

So what we're going to do is we're going to automate the process and this is far more straightforward than you think. So basically what we do is we start off, so you need a spreadsheet. I'll tell you what I'll do.

I'll send you a copy of my spreadsheet, the spreadsheet that we use on Property Entrepreneur, I use personally for PCM. If you send me a direct message on either Facebook or Instagram or LinkedIn, any social media platform, send me a comment, a direct message privately saying PCM, then what I'll do is I'll send you the PCM blueprint and what you'll see on there is a number of rows, a number of columns. And what we're going to do is we're going to spread over 12 months so we can see what's going to happen every month and then we're going to break it into categories.

The first category at the top is going to be your post-tax income. So after tax into your own name, into your current account, so we think about the first account is your current account. How much money comes into that account every month post-tax?

So if you earn 100 grand a year, once you pay your tax, you earn net whatever that is, five grand, six grand, seven grand a month, depending how you pay yourself. What's the amount of money you make a month net after tax? That's the income.

Then what we're going to do, and this is your current account, is we're going to look at on this spreadsheet, we're going to create a budget for outgoings. Now the thing to note here is at the minute you've got hundreds of transactions going out your current account, out of your current account we only want direct debits and standing orders. That's it.

We're not going to pay for coffees. We're not going to have three pound transactions. That's noisy.

It's messy. It creates an absolute chaos and it's hard for us to figure out where you are. We're going to move to a point where if you print out your monthly statement now and it's got 150 transactions, we're going to get that down to about a dozen because what we're going to do is we're only going to have, out of our current account, direct debits and standing orders.

So direct debits are in categories. The first category is going to be your household direct debits and standing orders. So this will be things like your mortgage or your rent or your utility bills, your insurance, all of those things that you pay for monthly via direct debit, or direct debit primarily.

That's your household costs. That's the first lot. After that, we do exactly the same for lifestyle, but again, remember, it's only direct debits and only standing orders.

So your lifestyle is things like the cars that you drive or the cars you have. So your cars, your gym membership, your holiday budget, these are lifestyle amounts and there'll be direct debits that go off to pay for your car finance or your gym membership or standing orders. You've got a holiday budget.

So transfer via standing order, your holiday budget, 500 quid a month or 200 quid a month, whatever, into your savings account. Now that's your holiday budget. You're moving it out of the account.

That's fine, but we're not paying for it out of our current account. So direct debits and standing orders. The next section after that is savings.

You really do want to be saving money every month. If you're saving your ISA, you know, putting money in your ISA every month, transferring that out again as a standing order, 20,000 pound a year limit. I think it's about 1600 pound a month, 1667 or something, 1667.

Paying that standing order into your ISA every month or your pension, you're paying five grand a month or up to five grand a month into your pension, 500 quid a month into your pension. They're your savings standing orders. And then what we do is all of those, the next section where previously you had all those noisy individual transactions, two pound, three pound, four pound is what we're going to do there is we're going to create a standing order for what we call your lifestyle budget.

So this is your monthly lifestyle budget, which you can spend on anything. And it obviously anything that's not company deductible. So if it's company deductible, we put it on another card, but anything that's not tax deductible from a company that you have to pay on your own, you know, buying a birthday present for your partner, or you're buying a new pair of posh trainers that you're going to wear out at the weekend, whatever.

They're lifestyle choices. You know, that's your lifestyle. It's discretionary expense.

It's what you spend all those odd transactions on. And that we give you a budget, so mine is 750 quid a month. Very low.

I have a lot of stuff for expenses. I have lots of bits and pieces that are legitimate company costs. The rest of it, I have to spend on my personal card, and that's like 750 quid a month.

That might be going out for dinner with my partner or buying a new pair of trainers that I do once every five years, whatever it is. I have a very low sort of discretionary spend. And then what you've done is you've gone from in that process, you've gone from having 200 transactions on your current account to having a dozen standing orders, and all those messy ones are on your lifestyle budget.

And obviously you're wondering now, how do you, how do you then spend that? Well, this is where the three card hack trick comes in. You have three cards.

So first is your current account, which we've just talked about, which you would never really need to be used. You basically just got your 12 or 15 or 20 standing orders and direct debits a month. So you can see at the end of every month exactly how on target you are, because as long as the direct debits and standing orders haven't changed, that's it.

And then one of those is your lifestyle budget. And what we do is you've got your current account as your first card. Your second card is a top-up card.

Now I use Revolut. You might use Monzo or Stalin. Basically we get a top-up card, which is one of these debit cards where you can have it on an app, you can put money onto it, and then we transfer money onto it.

So from your current account, 750 quid a month or 7,500 quid a month, whatever you want to spend a month, goes from your current account onto your top-up card. And that top-up card you can use for all your discretionary spending. And when I said at the beginning that within 10 seconds, at any time of the year, you can see how close you are on budget, because the current account is locked and is always the same amount, come rain or shine, day in, day out, week in, week in, month in, month out, they're all the same direct debits and standing orders, all you have to do is log on, press, for mine it's Revolut, Revolut, log in, ding, ding, ding, ding, there we go. Oh, you've got 556 pounds, 63 pence left to spend this month. And I know how on budget I am.

As long as I don't go over that, I'm 100% on budget, I've got that many pennies to spend until I go over budget, and in 10 seconds, I know exactly where I stand. So you've got your current account, you've got your expense card, your top-up card, your Revolut card for discretionary spending, and then you have your company card, which is basically anything you can legitimately put through as a company expense. Hotels, buses, sustenance, meetings, anything you do on a day-to-day basis where you can put through as a company expense.

That then goes off to the company expense at the end of the month. Current account is direct debits and standing orders, and your top-up card is your money each month. If you put that into place, or rather when you put that into place, all you need to do is update it once a quarter, so the first Saturday of each calendar quarter, review it, make sure it's okay.

The only thing that's going to change is your direct debits and standing orders. Check it once a month if you want. Just check that, and then down to a penny, you know exactly where you stand every day of the week, and you won't go over budget.

This is personal cash flow management, and I guarantee the process will be eye-opening. I mean, it will save you hundreds, if not thousands of pounds just doing the process, because we call it walking the line, looking at all those things you're actually spending money on. And there'll be apps that you've downloaded that are now charging you five quid a month for the last three years that you've completely forgotten about because they fell off a free trial.

You're still paying your house insurance from a house you haven't lived in, or your BT bill from a house you haven't lived in for five years because Virgin Media never cancelled the contract, whatever. You're going to save hundreds, if not thousands, just going through the process. But having that diligent approach to actually focusing on not how much you make, but how much you keep, I guarantee it'll be a game-changing mindset.

It'll be a highly lucrative activity. And if you want to get into that top 1% to 5% of wealth creators in the UK, it really is focusing on not what you make, what you keep, and starting with your own money, how you do one thing is how you do everything. And starting with your own money is the fundamental basics of getting this in practice.

So just to review, again, if you want to send me a direct message, it's the quickest way to do it. This spreadsheet I've been using for the best part of, well, if I said a decade, it's probably exaggerated, maybe seven or eight years. This current spreadsheet, unique, proven.

Just drop me a direct message saying PCM, and I'll send you the link. So I'll send you the document, load it up, put your net income at the top, then your household direct debits and standing orders, your lifestyle direct debits and standing orders, your saving standing orders and direct debits, your monthly lifestyle budget, which transfers it from your current account onto your top-up card, and then have the three cards, current account, expense, current account, company account, sorry, current account card, company card. I use a gold Amex and a top-up card. I use a free or like a £10 a month Revolut.

Set that up, guarantee it'll be a game changer. I'll send you the spreadsheet, just direct message me saying PCM, and best of luck putting it into practice. It's not how much you make, it's how much you keep.

Wealth absolutely compounds. And over the period of day, week, months and years, I guarantee you this will make you more money focusing on the money you save than it will opening the taps, turning the tap on and more water pouring out of your leaky bucket. So personal cash flow management, best of luck, and I'll see you on the next podcast.

I hope you enjoyed this Blueprint podcast episode. If you're not already subscribed, sharing these, this is my lifetime's work. And every Tuesday, I'm giving you one Blueprint away for free.

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Success and failure are both very predictable. I'll see you on the next episode.