Congratulations on taking this important step to getting your spending and finances under control — finally. You may have tried lots of other ways of managing your money and not been successful. None of that matters now. You can succeed this time, even if you are over spending by hundreds or even thousands every month.

Let’s get started. To begin the process, there are three things you must keep in mind:

1. **You Are Not Flawed.** There is nothing wrong with you — you have simply been applying methods that just do not work, such as creating a budget and trying to stick to it, or attempting to control urges to spend on impulse. This guide will teach why these methods don’t work and what you really need to know to control your spending and have fun doing it!

2. **How You Spend Affects Everything Else.** Your ability to successfully control your spending will determine how successful you will be in handling all the other areas of your financial life, including your savings and debt — spending is tied to everything else.

3. **Making More Money is Not the Answer.** Most people believe the rich got that way by making or inheriting a lot of money. Actually most of them are wealthy because they have learned to deal with the emotions surrounding their spending habits so they can make the most of that which they already have. Dealing with your emotions so that you can control your spending and make the most of what you already have is best done by adopting a systematic approach to spending and applying unique tracking tools by which you can determine what’s going to be left over after you spend money each month.

This guide will help you find money that you are wasting and reveal your true spending priorities. This in turn will help you make different choices about the way you will spend money going forward, and will help you find money you can apply towards paying off debt without requiring any additional risk or money out of pocket.

**Questions or Concerns?**
Contact Money Mastery Customer Support
(888) 201-2524
customersupport@moneymastery.com

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**STEP 1: Abandon the “Budget” Mentality**

Almost everyone has been taught that the way to control spending is to write out a budget (which determines a set amount that can be spent based on how much money comes in each paycheck) and then stick to that budget. But most people hate to budget because it makes them feel restricted and tied down. Budgeting doesn’t account for the fact that most individuals will not be strict enough with their money to limit their spending to ONLY the amount they take home each month. For that reason, budgets destine people for failure even before they get started on trying to keep one.

*There’s a better way to control spending.*
The secret is to spend based on a three-pronged approach.
The Three-pronged Spending Method. Just as a three-legged stool needs all of its legs to stand, a good spending system that will actually help you get in control requires three crucial elements, all of which must be present and working at the same time to be effective.

Prong 1: Spending Plan. First, plan (or forecast) how you want and need to spend money within prescribed categories; you determine these spending categories based on how you have spent money in the past.

Prong 2: Tracking. Second, track how you actually spend your money within these categories.

Prong 3: Compare. Third, compare tracked spending with your original plan to see what’s actually left over based on your income, then adjust spending priorities so that you can balance your income with your spending and still have the things you want without spending more than you have.

Using this three-pronged tracking approach allows the following:

- Lets you “prove your priorities” to yourself as your needs and wants change.
- Helps you remain in control when unforeseen problems occur, or when you have the desire to spend on impulse.
- Best of all, it allows you to spend while still watching your bank account grow.

Different from Budgeting. This spending approach is much different than traditional “budgeting” methods because it doesn’t force you to focus on what you can’t have. Instead, making a spending plan, tracking your spending according to that plan, and then comparing that spending with available income gives you all the following benefits:

- Lets you feel free to spend in the areas of your life to which you have given the highest priority.
- Helps you track how your spending will affect your daily needs, emotional wants, and long-term financial security.
- Rather than showing you what you have done after the fact when it may be too late (as budgeting does), tracking lets you see how your spending is affecting your financial situation concurrent with that spending.

Budgets are static and don’t account for life “coming at you” and for the need to be flexible in the way that you spend. But planning and tracking allow you to alter your spending as needed and make different choices going forward so you can remain in control while still giving you the freedom to spend money in areas that you deem important. A budget dictates what areas to cut, but tracking indicates the most meaningful areas for you and your family in which you want to spend. Budgets are depressing and difficult to force oneself to do, but planning, tracking, and comparing are fun and encouraging when they are done with specific goals and dreams for now and the future in mind. Budgeting is argumentative, while planning and tracking help a person make a decision in advance of the moment, leaving little room for impulsive behavior or arguments with spouse or self.

You can’t see clearly how to control your money until you have an idea of how you really need and want to spend it. To get a clear picture you must create a “spending history” and then use forecasting tools to see what you want to repeat or change going forward.

- Gather information on your expenses and income for the last 12 months. This will include pay stubs, receipts, cancelled checks, credit card statements, and anything else that will help you create a picture of how you spent money. This may take a few hours or so but IT’S WELL WORTH IT!

  Sorting through old receipts and statements to see how you have spent money will be very emotional. You will find yourself asking, “why did I spend money for that?” It will empower you to make different choices going forward.

- Use the Excel Money Mastery Spending Planner worksheet to create your plan. Once you have sorted your receipts and spending information into piles so you can see the areas in which you spent, you will then be ready to use the Money Mastery Spending Planner worksheet, which came as a downloadable Excel spreadsheet with your Spending...
Money Mastery's Spending Guide package, to enter your monthly income and create categories for the way you need and want to spend money. Then you will forecast how much money you want to spend in each category for the next 12 months.

Here's a step-by-step guide for quickly and easily creating your spending plan:

**Step 1:** Open the “Spending Planner.xls” spreadsheet.

**Step 2:** In the “Income” section at the top, enter your gross monthly income. If you are a W-2 employee with a regular paycheck, this will be easy to determine. If you are self-employed or get an irregular paycheck, average your income based on the last 12 months.

**Step 2:** Enter all the taxes you must pay from your income in the field indicated. This includes federal income tax, state income tax, FICA tax, unemployment tax, Medicare, and any other. The total amount of monthly income you have to spend (after taxes) will then be displayed in the “Total Monthly Income” field.

**Step 3:** In the Spending section of the worksheet under the “Spending Categories” column, enter descriptions for the spending categories you have decided to use based on the way you spent money over the last 12 months. Sorting through your receipts and other spending information should have helped you clearly define most of the categories you will want to create. The spreadsheet includes 25 of the most common spending categories to help you define your own. To change he pre-set descriptions, simply click on a category cell and begin typing. We recommend not using more than about 25 categories to make it easier to track how you spend in each area. Some spending can be lumped in with other spending.

For example, if you make a category for groceries, you may wish to lump prescriptions or postage stamps in with groceries if you purchase these things at the same time you buy food. You decide what is best for you. Also, we recommend lumping all debt payments together into one category. This will keep the list shorter and help you see the exact lump sum of money going out each month on which you are paying interest. For your mortgage, include the principal and interest only in the debt payment category. Separate the escrow portion of the payment (which includes insurance and property tax) and allocate these amounts under insurance and property tax categories. The reason for doing this is so that the debt payment amount is not skewed by the escrow portion of your mortgage payment.

**Step 4:** Once you have all your spending categories defined, add up everything you spent in each category for the last 12 months and enter it in the “Last 12 Months Spending” column. If the last 12 months are not available, use the last three months totals or make an educated guess as to how much money you spent in each category. It’s best to have a clear picture of your spending for the last year, but knowing even how you spent just in the last few months will be tremendously powerful. Try to make the clearest picture you can without getting too bogged down in the numbers and getting stuck on what happened in the past. Do your best to get a good picture of the past, then move into the future by deciding how you will spend going forward. The software will automatically calculate the monthly average you spent for each category over the last 12 months and display it in the the “Last 12 Months Average” column.

<table>
<thead>
<tr>
<th>Spending Category</th>
<th>Last 12 Mo. Spending</th>
<th>Last 12 Mo. Average</th>
<th>Next 12 Mo. Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groceries</td>
<td>1,500</td>
<td>125</td>
<td>130</td>
</tr>
<tr>
<td>Auto/Gas &amp; Repair</td>
<td>1,500</td>
<td>125</td>
<td>130</td>
</tr>
<tr>
<td>Charitable Contributions/Tithing</td>
<td>600</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Cleaning/Laundry</td>
<td>144</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Clothing/Health &amp; Beauty</td>
<td>1,330</td>
<td>110</td>
<td>110</td>
</tr>
<tr>
<td>Debt Payments</td>
<td>20,880</td>
<td>1,740</td>
<td>1,740</td>
</tr>
<tr>
<td>Eating Out</td>
<td>480</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Family Activities/Lessons</td>
<td>300</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Gifts</td>
<td>420</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Groceries</td>
<td>4,800</td>
<td>400</td>
<td>400</td>
</tr>
<tr>
<td>Home Maintenance</td>
<td>300</td>
<td>25</td>
<td>25</td>
</tr>
</tbody>
</table>
**Step 5:** Now that you know what your average expenses were for the last 12 months in each category, decide how you will need and want to spend money in each category for the next 12 months. Perhaps as you sorted through your spending information from the past you discovered that you had spent way too much money eating out every week and were appalled by your behavior. You have decided that in the next 12 months you are going to cut way back on this expense. Decide how much is acceptable for you to spend in each category and enter it in the “Next 12 Months Average” column. If you anticipate, for example, that your car is going to need more repairs than it did last year, you will want to increase the amount of money you spend in this category, or let’s say you plan to buy a whole new wardrobe or take a cruise in the coming year, be sure to allow for these increases. Use an estimated inflation factor of say 10 percent to determine expenses in those categories that you anticipate will increase but you don’t know by how much.

**Step 6:** In the “F/V” column, enter an “F” if the expense stays the same from month to month. If it varies, enter a “V”. Variable expenses are flexible and can be altered to help you balance your spending with available income. This information will be helpful in upcoming steps.

**Step 7:** Balance your income with your expenses. From our experience this process can be VERY REWARDING. This is where you prove to yourself what you really value, what you really want, and what you really need. This is where people begin to truly understand that they can have anything they want, but realize, sometimes for the first time in their lives, that they can’t have everything they want. They begin to see that they must make a choice about the way they spend money and that they can prove to themselves what their own priorities really are, instead of just spending without considering that there needs to be any priority at all. This is where it gets fun! That’s because instead of just spending without thinking, or spending money for only those things you think you should spend, you get to decide to spend money responsibly and for those things you want as well.

To make sure that you are balanced, check the figure at the bottom of the “Total Amount to Spend” column highlighted in yellow. This amount must balance with the “Total Monthly Income” amount at the top of the spreadsheet (also highlighted in yellow). If you are overspending, you will need to adjust your spending. To do this you may want to consider the following options:

**Option 1:** Cut back on variable expenses. These are discretionary expenses over which you have some control and which you have marked with a “V” in your Spending Planner.

**Option 2:** Re-examine expenses such as recreation and entertainment. These expenses can vary a great deal and many times are among the highest expenditures. It’s perfectly acceptable to eat out often, if you so desire — that’s what makes a spending plan fun as opposed to a budget — it allows you to choose what you want to do. But if you enjoy eating out often, to get your spending under control, you may have to cut back in other areas that you don’t consider as important.

*Remember, you can have anything you want, you just can’t have everything you want.*

**Option 3:** Adjust your fixed expenses. Perhaps you can refinance your mortgage, consolidate loans, or reduce fixed expenses so that you can balance available income with your spending requirements.

**Option 4:** If none of the previous options have helped bring things into balance, perhaps you should consider selling an asset or find a way to increase your income. You may be able to find a temporary second job, work in the evening from your home, or start a small business. You may be able to get a raise, or perhaps you can find a different job that pays more. Be sure to evaluate your possibilities carefully — some income can be swallowed up in taxes or daycare expense.

*Whatever option you use, it is vital that your income and expenses balance. Your financial success is based upon living within your income!*
**STEP 3: Take and Share Responsibility**

If you have a partner, it is very important to apply this step. We have found that when only one person in a relationship is handling all the finances, there is no communication or sharing and that’s when the real trouble begins! It’s also when the fun is sucked right out of spending and planning for the present and the future. By sharing financial responsibility, you will find that financial burdens become lighter, you will be happier, and your communication on financial matters will become an enriching experience.

**Decide Who Will Be Responsible for Each Category.** To take and share equally, simply decide which one of you will be responsible for each category in your Spending Plan. We suggest that the woman choose first. That’s because we’ve learned from experience that most women have a very clear picture of how they want things to proceed financially and will feel more comfortable if allowed to choose first. One of the partners may handle all of one category while others will be divided between partners. For example, one of you may handle all of the debt payments while both of you may have some responsibility to purchase food each month.

**STEP 4: Track Your Spending**

Congratulations! Now that you have completed the first part of the three-pronged spending approach by creating a forecasted Spending Plan that outlines the way you need and want to spend money, you’re ready to move on to the second part of successfully controlling your spending — tracking. It’s nice to have a plan in place that you can refer to in order to see how you want to operate going forward, but simply having a plan is not enough. Without a system for tracking your spending according to that plan, you’re bound to fail.

Multi-billion dollar sports associations know the value of tracking. The NBA, the NFL, and other clubs keep very close track of each athlete’s playing statistics so that when it comes time to trade or negotiate contracts, they will know the value of each player. They also keep track of these statistics for the purpose of making them known to the public to heighten awareness. This awareness creates interest, which in turn creates profits. Tracking your spending will create awareness for you too, which in turn will help you see what you truly value and where you are wasting money so that you can use your money more wisely.

Here are some guidelines to help you successfully track your money according to your Spending Plan.

**Track everything, every day.** This may seem tedious at first, but is very important and will be very eye-opening. If you don’t keep track of everything, including every stick of gum and every can of soda, you cannot create an accurate picture of where your money is really going. When you track this way for several days and weeks, you may find you are wasting unbelievable amounts of money on seemingly small things. Through tracking, one of our clients who was reluctant to take the time to write down everything he spent in a day, finally found out that he had spent $87 on Big Gulps in one month alone! That was a big shock to him and he immediately changed his spending habits. Most of our clients, on average find at least $312 they are wasting every month on items they do not want or need. Tracking allows you to find extra money which you can then use to pay down debt or invest in your future.

*Tracking only works when you see the power of recording everything you spend, even the small stuff, every day.*

**Use the Money Mastery Tracker to record your daily expenses.** This handy tool, which came as a downloadable Excel spreadsheet with your Spending Guide package, will make it easy to record how you spent money. Be sure to keep all receipts so that you can accurately record you expenses in the Excel spreadsheet at the end of the day. *(If you would like a handy check register/tracker tool that you can take with you in your purse or pocket to record expenses right at the point of purchase, go to the Money Mastery Store at www.moneymastery.com and order a one-year supply of our spending Master Registers.)*
Here’s a step-by-step guide for using the Money Mastery Tracker:

**Step 1:** Open the “Tracker.xls” spreadsheet. If you have a partner, do a “Save As” to create a copy of the tracker for your partner to use. Each of you will need your own Tracker.

**Step 2:** Transfer your spending categories from your Spending Plan into the Tracker. The tracker is set up alphabetically so that you can record your categories based on the letter of the alphabet with which they begin. Simply click in the “Letter” cell and begin typing to enter a description. If you have more than one category that starts with the same letter, simply assign an unused letter of the alphabet for that category and reference it under the alpha index located on spreadsheet 2 of the Tracker (simply click on the “Sheet 2” tab located at the bottom of the Excel window to access).

**Step 3:** In the “Amount to Spend” column, enter the amount you have determined you want to spend each month for this category. If you have divided amounts to spend for certain categories between you and your partner, be sure to enter your amount in your Tracker and have your partner enters their amount in their Tracker.

**Step 4:** The “Carryover” column is used for recording any amount you did not spend in that category from the prior month. Obviously, the first time you use the Tracker, you will not have any carryover amounts.

Your “Beginning Balance” will be automatically displayed, which includes both the amount to spend for that month plus any carryover amount. This is an important figure which will help you keep track of how well you are spending in that category as you record your expenses.

**Step 5:** You’re now ready to record your spending activities for each day. In the “Type” column, record the way you paid for a purchase (cash CA; debit DB, credit card CC, or the number of the check). This is an important part of keeping track of how your money is spent.

**Step 6:** In the next column over, record the description of the purchase and the place of business if you wish. In the next column over, record the amount of the purchase. The software will automatically deduct each expense from the amount you have to spend in this category and display a running balance so you always know what you have left.

Knowing what you have left to spend in each category is crucial!

**Step 7:** Track your spending this way for the next 30 days. If you are worried that it will take too much time, be aware that tracking this way takes less than seven seconds per transaction. Seven seconds could save you a lot of heartache and hard earned money — learn to love tracking and see it as a necessary part of your daily life so that it becomes natural and automatic. It’s harder to solve financial problems you cause by not keeping track of your money than it is to devote seven seconds a day to your financial well being!

**STEP 5: Compare How You Spent with What You Had to Spend**

Now that you’ve had some time to track your spending, you’re ready to apply the last part of the three-pronged spending approach by comparing how you spent with what you actually had available to spend. **Without applying this part of the process, your three-legged stool will have nothing to stand on. In fact, skipping any of the other parts of the process makes all the other parts ineffective.** Here’s why:
Simply making a forecasted plan of how you need and want to spend is not enough. It's a good place to start, but without tracking and then comparing how you spent according to that plan, you will never see where you need to make changes and re-prioritize so that you can keep spending in line with available income. You must have a history of how you spent in order to determine what you value, and the plan makes this possible, but the process cannot stop there.

Tracking alone is not enough. There are countless people who use all kinds of tracking tools to write down everything they spend every day. But without a spending plan, by which they can compare that tracked spending with the way they planned to spend, that tracking doesn’t mean too much. It’s simply writing down figures with no sense of what they mean and is basically a waste of time.

Comparing what you had to spend and the way you wanted to spend it with how you actually did spend is the key to successfully controlling your finances and the way to have more to spend when you need it.

Comparing your spending. To compare your tracked spending to your Spending Plan, assess whether the amount you actually spent in each category matches with the amount you had to spend in the monthly totals on your Spending Plan. Your total amounts should be equal to your income for the month. While you may have over-spent or under-spent in various categories, as long as you did not spend more than you made, you are doing well! As you gain experience with tracking and as your circumstances change, you can adjust the Spending Plan amounts as needed. Therein lies the beauty of this plan. It allows you to occasionally adjust where necessary if you determine that you need or want more or less in a particular category, as long as you balance those totals with available income. A word of caution: Don’t be tempted to constantly “re-adjust” spending totals for certain categories you have a tendency to over-spend within. As you spend throughout the month, be sure to be aware of what’s left to spend in each category so you can curb urges and stay within your allocated amounts. As you get better at tracking and living according to your Spending Plan, you will have less and less need to adjust totals.

At the end of each month, carryover the amounts left in each category to the next month. Start a new Tracker.xls for that month by doing a “Save As”. Transfer all spending amounts and carryover amounts to the new Tracker.

Hold a Weekly Meeting. The key to success in comparing how you spent with what you had available to spend is to hold a short weekly meeting with yourself or your partner. If you are married it is particularly important for you and your partner to have a weekly meeting. Marriage adds to the complexity of finances, so evaluating your available income, analyzing your past expenditures, and planning for the coming week will help encourage communication and provide support in keeping the household finances in good working condition. This meeting need not take longer than 30 minutes.

Practice Instant Forgiveness. In order to be successful in such meetings, you must agree that you will not condemn yourself or each other for mistakes you have made in spending during the week. You must practice “instant forgiveness” for yourself or your partner. Don’t worry about who spent what or didn’t keep track of this or that. Just instantly forgive any errors you feel you or your partner has made. Then go on to plan what you will do better in the future. If you follow his procedure, over time you will see things begin to improve in your financial situation and in your communication with each other.

Make the Most of the Extra Money You’ll Find

Adopting a system of planning, tracking, and comparing will bring huge rewards, both emotionally and financially.

Emotional Rewards: These include a powerful level of awareness, which will lead to emotional control. Instead of feeling deprived or out of control financially, this system of spending helps you see the real reason you spend, what you value most, and helps reduce impulse or “guilt” spending.

Financial Rewards: These include finding money (on average at least $312) every month that you have been wasting
which can be applied to other areas of your financial life. As mentioned in the introductory paragraphs, how you spend is tied to everything else you do financially, including your ability to get out of debt and save for retirement. Now your focus must be turned to the future and what you are going to do with this newfound money.

At Money Mastery, we teach that your financial life is like a puzzle and that in order for you to be successful, you must have all the pieces in hand and that they all must interrelate and work together in harmony. Now that you have the spending piece in hand, you will want to explore how it relates to the other pieces of the puzzle — how you can use it to help yourself get out of debt and save for retirement.

**Find out more.** Take our advice, don’t stop with your spending. Make a commitment to go beyond just getting your spending under control and find out how you can get your entire financial life under control. Money Mastery teaches an entire system of complete personal financial management based on 10 time-proven principles of sound money mastery. These principles will teach you:

- How to get out of ALL debt in nine years or less (mortgage included) using powerful debt elimination techniques.
- How to double — even triple — savings using leverage and cash flow techniques.
- How to put an extra $302,000 in retirement by more efficiently managing the money you already have.
- How to ethically and legally reduce your taxes by up to 50 percent by applying “good” tax laws.
- How to do all this, and so much more!

Learn more about these principles and the people behind them by visiting our Web site:

**www.moneymastery.com**

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