

Afford To Start Your Own Business

Matt Hern CFP®

**Are you inspired to do and make things better and have the courage to try?
This is for you.**

Whilst our quality of life has never been this good, there is much we can still improve for the benefit of humanity. I believe the world needs you and your passion to make things better.

Further, with people losing their jobs through no fault of their own, the best job security can come from being your own boss.

Whether you aspire to be a freelancer building a practice or an entrepreneur bootstrapping a business, a financial safety net gives you the courage to leap.

I am inspired to help you build the financial safety you need to leap and make the difference you feel called to make.

1. Buy yourself time

Many years ago, I read an assertion that most entrepreneurial businesses fail because they run out of money before their idea catches on.

Have enough savings to cover business start-up and running expenses, plus your personal living expenses for at least 12 months.

The length of time depends on the type of business and more importantly depends on your emotional investment in the idea.

Consider: After what period will you be willing to cut your losses and quit (this attempt)?

Launching full-time in pursuit of your vision is not the only way to start, and it may not be the best. If you can, increase your chance of success by first

testing your idea as a part-time side hustle. This also enables you to start sooner and with less savings.

2. Buy yourself even more time

It is much easier to achieve the above if you **contain your lifestyle**, starting today. Lower personal living costs mean you can launch sooner with less savings and buys you more time to trial your idea.

Consider: What do you currently spend your money on that is less important than the opportunity to pursue your vision?

3. Save time

Being self-employed can be all-consuming, especially during start-up, leaving no mental space for managing your personal finances.

That's why many self-employed people have revolving credit card debt and no idea what they spend. Inevitably their lifestyle costs are not contained, which increases the pressure on their business.

Consider: Do you enjoy managing money and eagerly do it, or do you avoid it and wish it could be automated?

Willpower is fickle and unreliable, especially when stressed. **Implement a budgeting system that makes it as effortless as possible to manage your money and contain your lifestyle**, without relying on being disciplined.

The saving journey

Most of us were not taught about money so the task can feel overwhelming, difficult, and easy to avoid.

I have found that the journey to financial independence is like the journey to physical independence. We build our skills in stages. Babies first learn to sit, crawl, and walk before they run.

We start living pay-to-pay until we learn cash flow management skills, which are the foundation of our financial wellbeing. As our savings and competency grow, we can add wealth creation skills.

Do any of the following stages sound familiar?

"I never have any money left over to save. I need to be more disciplined."

Our culture is designed to make you constantly want more and better and to make it easy to spend money to get it. We are inundated with marketing messages and the marketers know our soft spots. Credit is readily available and tap-n-go and online shopping make it quick and easy to indulge our desires.

Faced with an environment of abundant temptation and easy money, of course we mere mortals struggle to save.

Struggling to save is not a lack of willpower, it's not a character flaw. It's a design flaw in the systems we've been using to navigate that environment.

Your best first step is to **learn a budgeting system to get control** of your spending so you're not going backwards.

"I know I need to save more but I don't know what to cut."

A by-product of our culture of abundant temptation and easy money is that it's difficult to remember what we spent our money on. Too much is forgettable spending.

When we think of saving money only the memorable spending comes to mind and that's not something we want to cut. So, you probably can save more than you imagine.

If the thought of tracking every dollar turns you off, I agree, and the good news is that you don't have to. Implement the right money management system and you will **quickly swap forgettable spending for memorable spending.**

"I've tried setting aside savings but often end up dipping into them."

It can feel demoralising to be making progress only to be knocked back some steps. 'Unforeseen expenses' is the most cited reason I've heard for this happening.

I have found that many of those expenses were foreseeable, it's just that we humans are wired to focus on today more than tomorrow.

Save faster by **planning for the predictable**, so you don't inadvertently overspend. It may not come as naturally, but it is a habit we can learn, especially with guidance. My cash flow planning framework over page will help.

"I've tried budgeting but that didn't help."

'Do a budget' is useful advice, it's just incomplete. So, of course many of us feel they don't help.

Most budgeting spreadsheets are flawed, including the one on the Government's MoneySmart website, in that they are too focussed on the present. They don't prompt you to set aside money for predictable expenses that are two or more years away.

As explained above, unplanned foreseeable expenses are one thing that catches people out. If you keep having to dip into your savings, of course you're going to give up on that budget.

The other problem is that a static budget doesn't make it hard for you to overspend - no-one whips out their spreadsheet in the heat of the moment of temptation.

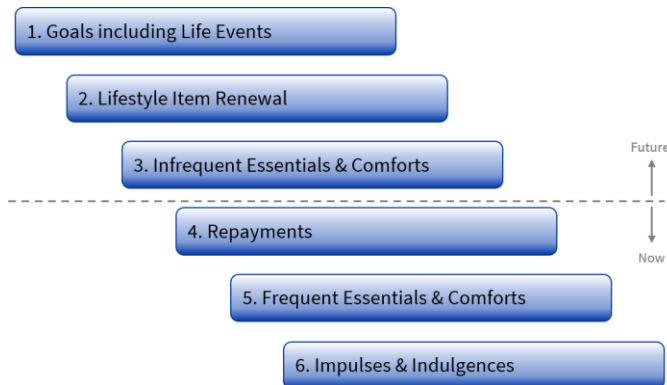
The better advice is to **implement a budgeting system**, including:

- Planning for the predictable
- Saving for the significant
- Minimising the insignificant

Affording what you really want

The purpose of managing our money is to afford what matters most to us, today AND tomorrow, all our tomorrows.

In an ideal scenario of teaching someone about budgeting before they earn their first income this is how I would suggest they prioritise their spending and is a plan you can progressively build toward.



1. Your goals

Consider goals in the broadest sense to include who you want to be, what you want to experience as well as what you would like to own. Prioritise affording the life that lights you up. Saving for your self-employed vision fits here.

2. Lifestyle item renewal

All the items and areas inside and outside of your home eventually wear out. If you want to maintain your quality of life, you'll probably replace them. Plan to afford to do so without borrowing.

3. Infrequent essentials and comforts

These are predictable expenses that occur at least once per year but not every pay period. Too often they are 'unforeseen' and cause you to dip into your savings.

4. Repayments

If you are contemplating borrowing money, your ability to afford the repayments needs to be considered in the context of still being able to afford those important experiences and items you want in your future.

5. Frequent essentials and comforts

A frequent expense is a predictable expense that happens at least once every pay period.

6. Impulses and indulgences

We're imperfect humans surrounded by abundant temptation so I believe it's unrealistic to expect we can totally eliminate impulsive spending. Plus, from time to time we deserve to indulge ourselves (in moderation 😊).

Next steps to save more

To save more so you can afford to launch out on your own **take control of your money bottom-up on the cash flow planning framework.**

The most effective approach is to **implement a thorough budgeting system**, two key elements of which include:

1. A *plan* of what is affordable (the budget)
2. A *process* that helps you stick to the plan

The above cash flow planning framework forms a solid basis for a *plan* of what is affordable.

A budgeting *process* helps you navigate the environment of abundant temptation and easy credit without relying solely on discipline. The process includes the 'hardware' of your account structure and the 'software' of healthy habits. To be most effective it needs to be tailored for your situation and personality.

I offer coaching to design a personalised budgeting system and support you as you implement it.

**Contact me to learn how to
grow your savings faster so you can
pursue your vision sooner.**

About Matt Hern CFP®



I am passionate about helping inspired people pursue their vision.

Twenty years ago, when I changed career from engineer to financial planner, halving my income, a friend said to me

"I'd love to change careers, I just can't afford it".

That and many similar stories I've heard break my heart and drive me to share easy systems for affording what really matters to you.

For over 15 years I advised people in achieving their goals, working as a Certified Financial Planner™ practitioner. Clients I have advised achieved goals such as being mortgage free by age 40, working part-time while raising their family and pursuing dreams to start their own businesses.

Now I exclusively offer money coaching to help people afford the life that lights them up!

I focus on ensuring my advice is insightful, practical and delivered with humanity.

If you have a vision then I can help you navigate the money decisions to get you there.



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How my saving system has helped others

"Two months on from signing up with Matt, we've turned our finances around - not only our bank balances but also our approach to money.

We needed help to face up to how much money we were wasting on short term fun at the expense of long-term goals (both fun ones like holidays and 'un-fun' ones like mortgage and extra super).

Matt is non-judgemental, empathic, has a great sense of humour and is like a financial therapist!

He will help you work out your financial weak spots, including the way you think about money and spending.

With Matt's help, we feel much less stressed and more informed about money and our future decision making."

Kylie Mathieson and Karen Jones

"Matt's expert help has been money well spent!"

The system Matt taught me has given me a new sense of clarity, freedom and confidence. I finally feel that financial management is no longer a burden.

Working with Matt has really changed my life!"

Leah Dowsett

Free Budget Planning Spreadsheet

If you're not yet ready for personalised guidance then get started on the 'plan' part of my budgeting system by downloading my budget planner at matthern.com.au/budget-planner/

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Disclaimer — I care but you're responsible.

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