



**Your Money Turnaround
(Part 1)**

**Figuring Out Your
3 “Squeak By Numbers”**

Figuring Out Your 3 Squeak-By Numbers

Intro

Hello, and welcome. This is Naomi from IttyBiz, and you're listening to the Money Turnaround track, part 1, called Figuring Out Your 3 Squeak-By Numbers.

In this section, we're going to talk about your "squeak by number," which is the amount of money you need to, well, squeak by each month. And actually, we're going to be talking about the three different squeak by numbers you need to identify when you're in an emergency turnaround situation.

Figuring out these three numbers will be one of the most important things you can do to stay calm and sane during the turnaround process, so you need to make sure you actually take the time to do this part. The good news is it doesn't take that long. You could be done in 15-30 minutes, and then you'll probably take half of the stress out of your life right off the bat. Not a bad investment of time, right?

So, let's get started.

Your 3 Squeak-By Numbers

So, we're going to look at three separate numbers that represent three states your monthly bank account may experience while you're turning around your ittybiz.

The first number is what we'll call your Comfort number. This is the good number. It's not the "Oh my God, we're rich!" number. But you're good. When you're making this amount of money each month, this is where you're living a pretty good life. Everyone's happy. You're going out to eat. You're going to the movies. You're probably not taking much in the way of vacations, but your day-to-day life is good. You're still keeping an eye on your bank balance, but you don't hold your breath when you do it.

You may intuitively know what this number is already, because you've either been living it for a time or you know how much extra money would really give you a more cushy life. For a lot of people this may be "what I'm making now plus an extra \$1,000 a month."

We're not going to put too much focus on this first squeak-by number, because obviously that takes you well out of emergency mode. But you want to know what that number is, so you'll know when you can breathe a sigh of total relief.

So let's talk about the two numbers that really matter to you at this point: your Lights-On number and your Survival number.

In Lights-On mode, all (or almost all) the frills of life are now off the table. In other words, you're not going to be going to Applebee's anytime in the near future, and movies and Wednesday night cocktails are out. But you are going to eat, even if it's Kraft dinners and hot dogs every night.

We want to know what the Lights-On number is so you can keep perspective and know when you're getting by, even though you are significantly tightening your belt.

In this stage, you are counting every penny you spend to make ends meet, but those ends are indeed meeting. The wolf has been seen from the window, but it's not quite at the door. You are making do on as little as possible, and although it's not very comfortable at all, you're getting by.

Your Lights-On number is pretty important to know. If you don't know this number, you're going to start freaking out that you're broke or you feel totally screwed, even when that isn't the case. You're going to think the wolf is at the door, even though it's really down by the neighbor's driveway, and we want to avoid that unnecessary stress.

We want to get this number nailed down so you can know when you're actually not in the danger zone, even if you feel completely broke on a day-to-day basis. Knowing your Lights-On number will help you look at what's coming in every month and still be able to sleep at night.

Now let's talk about your Survival number. You need to know – and I mean absolutely need to know – what your Survival number is so you don't go into a blind panic when money is tight and you think you're going to be out on the street. Trust me, it takes a lot to truly be out on the street. You have a lot more leeway than you think.

Chances are almost 100% that you think your Survival number is a lot higher than it is in reality. Right now you may think it's \$2,000 a month, for example, but if you really

look at it and trim all the non-essential fat you may find that it's closer to \$1,500. This is extremely important information, and here's why.

If you think your Survival number is \$2,000 and you only make \$1,800 this month, you will think you're going to be out on the street and you will panic so badly that you'll be no help to anyone, especially yourself. You will be in a position to do nothing but curl up into a ball, put on the Leonard Cohen CDs, and quietly fail.

However, if you know that your survival number is actually \$1,500, and you made \$1,800, you will know that you're still keeping your house and there's money left over for Kraft dinner and a bottle of cheap wine to drown your sorrows in. And knowing that makes a huge difference. All you need to know in Survival mode is the minimum amount of incoming money that will let you eat something, keep your house and drive your car to get your groceries, if need be.

Knowing your Survival number makes the difference between thinking the wolf is at the door and thinking that wolf is already inside the door, and in the process of eating you. You cannot function and grow your business if you think the wolf is eating you. So take this Survival number very seriously, because it will save your sanity. Seriously.

Figuring Out Your "Comfort" Number

Now, let's take a look at how to figure out your 3 squeak-by numbers in about 15 minutes. The process is simple.

First, grab a piece of paper or a spreadsheet if that's your thing, and write down how much money you need to have your life be comfortable. Get it down in detail, as much as you can. List all your household bills, your car if you have one, your rough budgets for gas and eating out and getting groceries – basically, every category of everything that you spend money on.

You don't have to get exact dollar figures, but you want to include every line item you can, so we can see where you can be flexible. Pull up your last month's credit cards and online bank statements, and you'll be able to knock this out fast.

Once you've done that, you've got your Comfort squeak-by number. You know exactly how much cash you need this month to not feel like you have to worry about money for the next 30 days. That's our first number.

Figuring Out Your “Lights-On” Number

Now grab another piece of paper and let's find your Lights-On number. Copy every fixed expense over – like your rent, your car payment, that kind of thing, basically anything that has to be paid or you either die or are stranded and helpless.

But don't include anything that has a cost that varies from month to month. Just get the known, “do-or-die” expenses over first.

Now for the next step – trimming the fat. Look at every expense you have that can fluctuate – such as eating out, grocery shopping, your cable or satellite – and ask yourself how much you can tighten that up without putting a gun in your mouth.

For example, maybe you eat lunch or dinner out 3 times a week, and you spend \$80. Ask yourself how much you could cut from that and still retain your sanity. I say “sanity,” because while financial planners will tell you to cut all non-critical expenses, I don't agree in the least.

The goal here is to get you to a point where you can function like a healthy human being. Sometimes you need to get out of the house or you'll go crazy. We don't want to go crazy. Sometimes a \$20 manicure once a week or cheap wing night is the thing that keeps you going and lets you do the stuff that earns you money. You have to respect your emotional needs here, but we want to cut the cost of those emotional needs down to the bare, bare minimum.

So if you eat out 3 times a week, could you function if you cut that out entirely? If so, good. If not, then think about how to cut it to the minimum and still retain your sense of self. I won't tell you what to cut – I'm not your mother or your financial planner – but there's probably a lot of wiggle room here. Downgrade either quality or quantity. Try to avoid downgrading both if you can, but if you must, you must.

This is just one example, but in figuring out your Lights-On number, we're going to go and do that for every expense you haven't copied over to this second sheet. How much could you cut your dining out budget if you needed to preserve more money for your mortgage? Your grocery budget? Could you drive less? Use your cell phone less? Downgrade or cancel your cable or internet?

These may feel like small, relatively insignificant changes, and they are. Keep in mind, I'm not telling you to make them at this point. But in turnaround, you have to be **PREPARED** to make them. And you can't get prepared until you get specific. You have to know what "tightening your belt" means, or it's a big scary monster under the bed.

This may feel like a hard exercise to do, because many of us are used to spending freely and we don't like to downgrade. But if you're in Lights-On mode, you need to preserve as much cash as possible so you don't end up in Survival mode, where you might not be able to pay your rent. So let me give you a little exercise to help you out here.

Take a look at how much money you spend in flexible expenses, and figure out what half of that amount is. If you spend \$500 a month on groceries, gas, cable, etc., that would be \$250. You may feel like you could never cut 50% from your flexible expenses, but stick with me.

Now, think of the person you care about most in the world who doesn't live with you. Take a second to think about who that is. Now imagine that this special person has lost their job, is totally screwed and will lose their house in the next 30 days unless you can somehow start lending them that \$250 a month for the foreseeable future, with no hope of repayment.

If the person you care about the most in the world needed that 50% of your flexible expenses, wouldn't you move heaven and earth to give it to them? Wouldn't you start spending less on eating out or cancel your cable to keep them from ending up out on the street? You know you would.

Now take a look at your variable expenses and ask yourself how much you could cut from each category. Every dollar matters. Except in reality, you're not doing this to save that person's house, you're doing it to make sure you don't lose yours.

Do this for each of your variable expenses and get each down to the minimum you need to function and stay sane. This will help get your Lights-On number down as low as humanly possible.

If you do this, and you really, really do it, you'll probably find that it's a lot lower than you think. That's good news for you, because you'll know you need less than you think. You won't be comfortable in the Lights-On stage, but you'll be managing.

Figuring Out Your “Survival” number

So now we come to the Survival number. This one isn't pretty. This is where you are when you're in the same position as that loved one you imagined, except no one is coming to bail you out. What we're going after is the number that represents you ruthlessly and completely cutting everything that is not related to survival for any given 30 days. We're talking food and gas, and very little else.

This is scary because it does not include rent. It does not include car payments. It does not include credit card payments, and if we're honest, it probably includes using what credit you have instead of cash. The wolf is at the door, and he's hungry as hell.

But here's the thing that most people don't realize: The wolf can't eat you right away. If you couldn't pay your mortgage for 60 days, they would not repossess your house right away. Same with the car. Your credit cards won't cut you off immediately, either. You have leeway. You have margin.

Is it ideal? Hell, no. But we're not talking ideal, we're talking survival. We're talking this is the point where you break out every bit of hustle you can to build your business, and you don't pay any bill you don't have to until the very last minute. Yes, it will impact your credit. Yes, it will have consequences. But what it also means is that you have a virtually assured 60 to 90 days where you still have a roof over your head.

And in those 60 to 90 days you will pull out every stop you can to get the money flowing again, and you will pay for food, gas, and whatever business expenses you need that would cut you off early if you didn't pay it. And you'll catch up on bills as you grow your business. And you'll survive.

This is why your Survival number is so important: It gives you the peace of mind that even though your Comfort number may be \$3,000 a month, and your Lights-On number is \$2,000 a month, you could go through two or three \$600 months and still have a roof over your head. And that's two or three months you will move heaven and earth to grow your business.

Is it ideal? No. But when the wolf is at the door, and you can't sleep for the fifth night in a row, you will know exactly what will get you through the next 90 days. You're

resourceful. You can figure it out. But now you know exactly what it takes to keep afloat, even when things are at their worst.

And the stress that takes off your head when you know you will not truly lose everything right away will be worth its weight in gold for you.

So take a few moments right now and work out those three numbers – your Comfort number, your Lights-On number, and your Survival number. Then you'll be ready for the next module.

Thanks for listening to part one of the Money Turnaround track, called “Figuring Out Your 3 Squeak-By Numbers.” I’m Naomi from IttyBiz, and I’ll talk to you very soon.