



**Your Money Turnaround  
(Part 3)**

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**What To Do  
When Money Gets Tight**

## What's First To Go When Money Gets Tight

Hello, and welcome. This is Naomi from IttyBiz, and you're listening to the Money Turnaround track, part 3, called What's First To Go When Money Gets Tight.

In this section, we're going to talk about what you need to do when money starts really, really becoming a problem. And if it's already a problem, then you really need what's we'll be covering here. We're going to give you some peace of mind, and help you create a backup plan that can help you sleep at night.

Before we begin, I want to congratulate you on getting this far into the Money Turnaround track. You've already halfway through this part of the class, and if you can get halfway, you can get all the way. I want you to remember that when it comes to building your ittybiz. You may not have the business you want yet, but you have built some of it so far. And if you can build some of it, you can build all of it. If you can get 20% of the way there, you can get 30%. And 40%, and 50%, all the way to the end. So remember that - you're already on the path. You can make it to the other side. Just keep working on it, every day.

Now, let's get started.

### **Nobody Wants To Be A Drama Queen**

When there's an emergency, nobody wants to come across as a drama queen. Nobody wants to say it's the end of the world, or that you need to take drastic action, or that you need to start acting like it's an emergency. This can be good, because most situations aren't an emergency.

We've all seen people who go overboard preparing for an emergency that doesn't end up being an emergency after all. It's dramatic. It's a whole lot of panicking. And it's all a little bit embarrassing.

Nobody wants to be the person wearing the tin foil hat, saying that the end is near. But what if the end **is** near, but nobody else feels the same way?

Maybe you're listening to this because your business isn't in a true state of emergency, but it's in danger of getting there. You don't want people to see you being too dramatic, do you? You don't want to be "that person."

But what if it is an emergency? What if your ittybiz is on the brink of disaster, and you're not going to have the money to pay rent, or buy groceries, or keep your car? You're not "being dramatic." This is your house you're about to lose. It is dramatic.

Nobody wants to have to admit defeat. Nobody wants to have to say, "Honey, I think we're going to need to sell the couch. Or sell the car. Or get rid of the office and all the furniture in it." But in a true emergency, you may have to. This is dramatic.

What do you do then?

You do the only thing you can do. You get over worrying that people will say you're a drama queen, and you start working your backup plan. And if you don't have a backup plan, you make one. And to hell with anyone else who judges you for treating a true emergency like a true emergency.

We're going to talk about that backup plan in a moment. Because when you have a backup plan, you can respond to the emergency without panicking and you can keep the drama you experience down to the minimum.

### **The Empowerment That Comes From Having A Backup Plan**

Ok, so let's look at two possible emergencies, with ittybiz owners one and two. The bills are coming due in a week. And not just any bills, but the bills they haven't paid for in three months. The kind that come first in yellow envelopes, then red ones, and will soon be followed up by large, stoic movers coming inside and taking all the furniture.

- Person one has no backup plan. They panic. They have \$10 in the bank, they know the repo man is coming for their car any day now, and they don't know what to do. So they grab everything they can pack into their car in a mad dash and head down to the pawn shop, where they come out with a few hundred bucks, but not nearly enough. They are screwed. And the panic increases. All is not going well for our hero.
- Person two has a backup plan. They know if they can't make money the way they're used to with their ittybiz, they're going to look at other options. Maybe they take jobs at a huge discount, or they do services they hate, but people are buying. They know that if money doesn't come in by Tuesday, the hutch is the first thing to go on

Craigslist. Then the loveseat. Then the cable, the second cell phone and their coin collection. They have a list, and they work it from top to bottom.

All is not going well for our hero, but at least she feels like she has a level of control. She knows she can get \$200 for the hutch. \$300 for the loveseat. She knows she'll save \$60 a month by slashing cable, and \$40 a month by disconnecting the second cell phone. It sucks, but it's a known quantity. And if it all goes south, that's when she sells the video games, DVDs and other little things that can pick up little money. But she has a plan. She knows how it will all work out.

You want to be person two. You want to know how it will all work out when it all goes south. You want the sanity-preserving power of not having to ask what to do next, and to have a general idea of what you can do, and how much money it will bring in.

Making a backup plan isn't admitting defeat, or being negative, or being dramatic. It's the smartest thing you can do to preserve your peace of mind. And if you do it right, it can help prevent the disaster before it happens.

Let's talk about that, and let's get you setting up your backup plan.

### **Making Your Backup Plan**

Your backup plan consists of three parts: Making Money Differently, Reducing Expenses, and Ditching Assets. None of these are fun. But we can't pretend they're not your only alternatives when you're in an emergency situation.

The goal of this backup plan is to help keep you away from emergency mode as long as possible. The last thing you want to do is sell the furniture, so we're going to work on making sure that it's your last resort, not your first.

Let's start with making money differently. This I want to be very clear on. I don't want you to think about getting another job. I'm really not excited about the idea of you giving 8 hours a day to something that isn't your ittybiz. But I am talking about putting less enjoyable ways of making money on the table, because you may need them.

If you're a coach who does consultations by phone because they're more convenient that way, you may need to look for local clients and do in-person work. If you sell

products online because you can set your own hours, maybe it's time to get phone consulting on the calendar. If you're a crafter or an artist, you may need to consider taking on some jobs for other crafters and artists.

Basically, the things you think are "not ideal" or "beneath you" fall into this category. And not "beneath you" from a moral standpoint, but things that may make you feel less independent. If you've always written copy for personal clients, you may need to call up another copywriting shop and see if they can throw some lower-paying work this way.

This first part of the backup plan is about keeping cashflow going, and you need to figure out when you're going to activate this part of the plan. As in, "if my income from my ittybiz drops below this amount, I'm going to have to do these things I don't like doing so much."

Hopefully you won't have to move into stage one of this plan. In fact, knowing this less desirable work is waiting for you if money gets tight can be really motivating because you'll want to work extra hard and extra smart to make sure it doesn't happen. But because you've planned it out, you won't have to panic if it does happen. You'll know what's coming, and that's very empowering, and will help keep you from getting freaked out.

Now, that's all well and good while it works. But if it doesn't work, you'll have to move into stage two, where you start slashing expenses.

You need a plan for this so you don't make crazy, worried decisions. You need to look at all your expenses and prioritize which ones go first. Is it the cable or the cell phones? Is it the manicures or the makeup? If you don't have a plan, then every decision will be full of pain and confusion. So you need to order them out and decide what's first up against the wall when the revolution comes.

This isn't going to be fun, and I'm not going to even hint that it will be. It will be uncomfortable, and then it will be over. The alternative is freaking out and worrying about what to do next when money gets tight, and that's a lot less fun and tends to last forever. So get your backup plan for slashing expenses in place and you'll feel a lot better.

So, let's talk about your backup plan for the ultimate cash emergency. This is stage three, what you have to do when stage one and stage two are well behind you. This is where you don't just need cash in a hurry, **you need cash right now.**

We're talking about ditching your assets. Selling your stuff. This is the last resort, but let's take as much pain and panic as we can out of it.

The first thing you have to do is figure out what you can sell. Make a list of everything in the office or house you can put on Craigslist, on ebay, yard sale or pawn shop. Everything. Not every specific thing - you don't want to write down the names of every DVD you have. "DVDs" in general will be just fine.

Then you'll want to write down how much you think you can get for each of those items. Don't be particularly ambitious. You're not going to get full price here. 20 to 25 percent is more like it.

Then start ordering that list into what you can live with getting rid of, in what order. You'd rather sell the DVDs before the Xbox. You'd rather sell the hutch before the television. You'd rather sell your mother-in-law before your work computer. That sort of thing. Then you'll know what needs to go in what order, and you won't have to play any guessing games. Also, if you realize you need \$200 by Friday, you'll be able to quickly look at the list and see how many items you'll need to ditch to get it.

But there's one last step. Circle the most expensive items on there, the ones that can get you the most money. Maybe the top 5 or the top 10. The reason you're doing this is so you know exactly what to do if you need the most money possible right away. If you end up needing \$1000 to pay for your mortgage and your car by next week, you're not going to be taking your DVDs and your microwave to the local pawn shop. When you need \$1000 now or else, the couch and the TV are outta here.

This is not the time to get precious about not wanting to sell your stuff. A lot of people think this is embarrassing, beneath them, or low class. But personally, I'd rather feel low class in my own home than rent a house-sized storage facility for all the stuff I couldn't bring myself to sell while sleeping on my brother's couch.

Don't get foreclosed upon and ruin your credit because you think selling your entertainment unit is ghetto.

(And speaking of house-sized storage facilities, if you have a bunch of stuff in storage, that's the first to go.)

I know this isn't fun. I know you'd rather do anything but think about what to do when you find yourself at the end of your rope. It's pretty depressing.

But there is an upside. If you do this - if you make your backup plan and get a handle on what you would really do when it all goes south, you're going to find it within yourself to fight harder to keep that from happening. By looking at the reality of what happens if you're in big trouble, you'll be much more likely to take action to keep you out of your trouble.

In other words, if you plan out what happens in an ittybiz emergency, you'll be a lot more likely to make sure it never, ever has to happen.

And that's one hell of an upside. So take the time to do this now, and you'll never have to wear a tin foil hat or be a drama queen. Sounds like a good deal to me.

Thanks for listening to part three of the Money Turnaround track, called "What's First To Go When Money Gets Tight." I'm Naomi from IttyBiz, and I'll talk to you very soon.