

Basic Money Management System

The world's most simplest, easiest and most effective money management method was created by T Harv Eker. The most important part of money managing is separating your income into different accounts for specific purposes. Start splitting your income in to the different accounts as per the splitting percentage given below in the table.

ACCOUNT	% Split
Financial Freedom Account	10%
Long Term Savings /Spending	10%
Necessity	55%
Play	10%
Education	10%
Giving	5%
Total	100%

1. Financial freedom fund (10%)

This fund can only be used for buying cash flowing investments and never spend it. It's your golden goose. When you stop working, you get to spend the eggs (but never the goose). Fatter the goose is the bigger the eggs are.

2. Long term saving / Spending (10%)

Long term saving/ spending account helps you to save for a dream vacation, home deposit or your dream car. It also can be used towards children's university education or towards their wedding expense. When you have decided to buy your own house this is a good account to get your deposit money.

3. Necessity (55%)

This is your day to day necessity money. This will include mortgage, your utility bills, council taxes, travel, food expenses etc. All your necessity should be in 55% of your total income. If it's exceeding go through your expenses and cut down the unnecessary expenses. (Eg: smoking, sky television, eating out etc).

If you can't live on 55%, SIMPLIFY. Wealthy people think long term. Poor people think short term.

4. Play (10%)

Play money is to satisfy your inner spirit which is craving for appreciation. So treat yourself every time you get paid with your play money. The golden rule of this play money is 'This money MUST be spent before twenty days from when you got paid'. (loving it!)

5. Education (10%)

Education money can be used for personal growth and business education. Eg: training courses, buying CD's/ Books etc. Education is an ongoing process and if you are not growing, you are dying.

"If you think education is expensive, try ignorance" - Ben Franklin

6. Giving (5%)

The give account is used to help your desired charities. When we give it will always come back in tenfold. The habit of Giving also gives us a self-satisfaction and in the long run it will teach us the true meaning of life.

Your money can be kept in separate jars or separate bank and investment accounts. Put your pay check into one clearing account. From there, immediately write checks or make electronic transfers to your other accounts.

It's not "When I have plenty of money, I'll begin to manage it". It's, "When I begin to manage it, I'll have plenty of money". The universal principal of management is until you show you can handle what you've got, you won't get any more. The habit of managing my money is more important than the amount. Broke people use the "left over" strategy: they pay everyone else first, then save or invest what's left over. But the rich does the opposite. They first invest and then spend what is left.

Good luck!