

#21: Creating Financial Freedom Part 3



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With Your Host

Debbie Sassen

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You're listening to the *Mastering Money in Midlife* podcast, episode 21, Creating Financial Freedom Part 3.

Welcome to *Mastering Money in Midlife*, a podcast for midlife women in business to overcome financial anxiety and make more money without burning out or sacrificing their families. Join certified life and money coach Debbie Sassen as she shares practical business strategies and mindset shifts that help you dissolve the money blocks that keep you stuck in a cycle of underearning and undersaving, sabotage the growth of your business, and prevent you from building the wealth that you desire.

Hello, my friends, and welcome back to the podcast; happy April. I don't know what the weather is like in your country or wherever you're sitting at the moment, but we have this phrase April showers bring May flowers, and welcome to April. I don't know about you, I have had enough rain for the winter.

It seems like every weekend for the last three months, it's been raining, and I'm ready for some warmth. I'm ready for some sunshine and ready for some flowers. Now, it's probably going to be another month or two, and in Israel, it's going to be really hot. I might be begging for rain, but just now, I want a little bit of sunshine and warmth, and I want to be able to put my heaters away until next year.

Until that time, today, we're going to talk about financial freedom yet again. In last week's episode, and if you haven't listened to that, I encourage you to go back and listen to it because I talked about money mistakes and forgiving yourself for your money mistakes because if you're holding on to those mistakes and beating yourself up and thinking oh if only I had done this. Life would be so much better if that hadn't happened. I should have been able to.

All of those thoughts that swirl around in your brain on sort of auto replay, and you feel them coursing through your nervous system. They really hold you back, and I really invite you to forgive yourself and let yourself free. It's

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like cutting the kite string so that your kite can just fly away up into the heavens, and you can be free. And when you decide to forgive yourself for all of those mistakes, you may be learned never to go into credit card debt again because the interest rates are so high.

In fact, I once worked with a couple, and they had credit card debt at 3.25% interest, but what they didn't realize was that it was 3.25% interest every single month ouch. If you do the math on that one, gosh, I have to do that in my head. I think it comes up to 39% interest over the course of a year, and that's really painful. If you have \$100 in credit card debt and don't pay anything down by the end of the year, it's \$140. That's mind-boggling, and indeed, it was for them very hard to get out of.

So, whatever happened, you learned something, forgave yourself, and moved on. Today, we're going to get really geeky. We're going to get into some financial basics, financial mechanics, how you can manage your money better. Through money management, create financial freedom for yourself because one of the biggest money challenges I see entrepreneurs face is scarcity. Right?

They get into this real scarce place when they have bills that are coming due on a regular basis, but cash flow is light. You know, it could be a seasonal thing, like right now, we're approaching the Passover holidays, Easter holidays, spring break. People might be going away on vacation, and you might even be going away on vacation. Your cash inflow is going to drop.

Of course, if you're working in tourism and something like that and at the moment, I shouldn't open my mouth too wide, but it does seem like tourism is picking up again. But, if you're in the tourism industry, it could be that this is the exact seasonal time when your cash flow rises. Still, when cash flow drops and your expenses stay the same, your brain can get a little freaked out and get into like a drama loop of how am I going to pay the bills?

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How's this going to happen? I need to find sources of money. I need to hustle to get some more clients and make some more money because I don't feel safe and secure.

The other way people get into scarcity is if there are large one-time expenses. So, it could be that you do a website, redo your website, right, and that could be \$3,000 or \$5,000, or maybe you decide to hire a coach, join a coaching program, upgrade your computer system, or maybe you're creating a course. So you decide to invest in a video camera and a teleprompter with a tripod and a lighting system, whatever it is. That could also be a few thousand dollars in expenses for your business.

Whatever it is, there are large irregular expenses, and sometimes this just happens with like taxes. Where I live in Israel, the VAT is paid every other month. So, one month it can feel like, ah, such a lovely relief. I don't have any taxes to pay, VAT this month. Then, all of a sudden boom, there's a jump up the next month, or you might have an annual expense to your accountant or whatever it is. Still, when we have irregular cash flow and all of a sudden, there's a spike up in cash flow, right?

Again, there's that oh my gosh, I need to make money. I need to create money fast because all of a sudden, I have huge expenses. And with fluctuating income, and we've talked about that before on the podcast but with fluctuating income and/or fluctuating expenses. Usually, both of them are not even like a steady, horizontal line every single month. But, if there is a big difference from one month to the next, we can get into scarcity mode and really start to feel tight, anxious. A lot of anxiety, the angst around money, and like, feel this need to create it fast because when there is a lack of money coming in, your brain interprets that data you know decrease in cash flow and/or increase in income means no food and certain death.

As I said before, your brain can get really, really weird. So, this is what I would like to invite you to do for your business, and that is have two different savings accounts. One of them is going to be a buffer account for

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your unexpected expenses. It's kind of like an emergency fund, or sometimes I call it a financial freedom fund because this is what's going to give you financial freedom so that you can feel that relaxed, expansive, easy-going energy in your business.

You want to make sure that you have enough money in your financial freedom account to cover your expenses for, let's say, three months, six months, like that would be ideal, right? To have enough money in the savings account to cover unexpected expenses or an unexpected drop in income and pay attention to that, I use the word unexpected, right? So, let's say, for example, that you normally take on, I don't know, 2, 3, 4 clients every month if you have high ticket clients or you normally sell 10 lower-priced packages.

Whatever way you work with your clients, you could be in real estate, and you might only get paid when you have a large real estate deal once every few months. Whatever it is, you want to be able to have enough money in your buffer account, your financial freedom account, so that if there's an unexpected gap in your income and expenses, you can take money out of your financial freedom account and cover the gap.

Again, you don't want to get into this scarcity, and you don't want to have to get into debt if you don't have to. We've talked about debt. There is no shame in taking on debt, but if you don't have to because you have the money in savings, then don't use debt as the recourse because we know that income and expenses in our businesses do fluctuate. So, give yourself the wiggly room, give yourself the breathing room, right?

Again, debt is something that, for most people, it does also cause anxiety. Of course, there's the interest rate if you don't have to pay the interest rate back to the bank or the credit card company, right? Why do it if you could have some money safely parked in your buffer account for a rainy day? The second type of savings accounts that I really encourage you to have is a saving account, especially designated for those irregular expenses that you know will come up.

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So, suppose I think about my business, for example. In that case, I have yearly memberships, let's say to Zoom and to Canva and to my email provider, my website, host; these are not huge expenses. Still, I do know that they are going to come up. If you have insurance payments for your business, maybe insurance on the equipment in your office, or car insurance, maybe you rent storage space, so you have to pay rent like once every 3 or 6 months for storage space you rent.

You might also have insurance for the products that you are storing in your storage space, and I certainly know with my home insurance, we pay that every February. So, it could be that you would be paying for the storage facilities you could also be paying the insurance once a year. Notice what your expenses are in your business and when they fluctuate as I said before, with my VAT, I don't pay it every month.

So, I make sure in my bank account that I keep enough money in there, right? I don't take it all out and transfer it to my home account. I keep money in there so that if this month isn't a VAT month, I know that I'm covered next month. Step two of creating financial freedom in your finances is really paying close attention to the income and the expenses in your business and making sure that you're running a profitable business.

Now, that's separate from having debt because if you have debt and you're making regular debt repayment. Again, debt is fine. Debt is great. It's a wonderful way for you to borrow money today in order to grow your business for the future. Still, you want to make sure that your cash flow enables you to cover your debt repayment.

What I sometimes see is that people get into situations in their businesses where they took on a debt and then another. Their cash flow, especially when it's fluctuating, is not able to cover their debt repayment. Then they have to start making choices. Do they go back to the bank and renegotiate? Do they take a loan from family members?

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The first thing that you can do because your business is really here to cover your home expenses is to see where you can lower your expenses at home and take less money out of your business. Now we wouldn't want that to be the long-term choice. Again, we do want your business to fund a comfortable lifestyle. Still, if there are short-term gaps in your income and your expenses, you might need to cut back at home; always be clear about your cash flow in your business.

Don't leave it only to your accountant and for your accountant to tell you at the end of the month or at the end of the year how much taxes you owe. Make sure you, as the business owner, as the CEO of your business, know what's going on with your money. The way you create financial freedom for yourself is to get really cuddly and cozy with your numbers and know what's coming in and what's going out.

Then, in step three, once you have those numbers clear and you can see a pattern of over, let's say, three or six months, you have a pretty good idea of what your averages are. Now you want to be able to take a regular payment out of your business and transfer it to your personal bank account, which by the way, rings up another point. Do you have a separate bank account for your business?

Again, in Israel, where I live, you don't have to have a separate bank account for your business until you open a company. Alright, I just opened up a company this year in 2022. I was considered a freelancer until I decided to change my business status. That was a discussion with my accountant about what would work out better for me, and my business was already quite profitable.

I was already, you know, if you listen to the podcast that I did many episodes ago, I don't remember which number anymore, but I created over \$200,000 in my business in 2021. I was still considered a freelancer in Israel, which meant that I didn't have to have a separate bank account. Now that I opened up my own company, I did open up a separate bank account for my business, but what often happens in my country is that

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people keep their personal and business income and expenses all in one bank account. They haven't yet gone to the bank to open a separate bank account.

Now, I did that when I opened my file with the tax authorities is. I immediately opened up a bank account because I wanted clarity on what was going on in my business and what was going on in my personal life. Then I could regularly transfer money from my business to my personal account, and that's what's going to give you a tremendous amount of financial freedom is having clarity in your business and treating yourself as the CEO of your business.

At the same time, treating yourself as the star employee of your business and as a star employee, you're going to make regular wage payments from your business to your personal bank account. That enables you to have clarity in your personal bank account because you know, and if you're at the start of your business, it can be \$200 or \$500 a month, right? Until you have a lot of understanding of what your numbers are and your cash flow, income, and expenses, keep it small.

We want to create this habit that your business starts funding your personal lifestyle, but only to the extent that your business can handle it. What often happens is personal expenses go up. All of a sudden, we're borrowing money from Peter to pay Paul. More money is being taken out of the business and transferred into the personal account.

Then, in some future months, the business is going to be short of cash. So, start creating systems now, whatever stage your business is in and if it's been running kind of, you know, by the seat of your pants for the last five years, go back to episode 20, forgive yourself for your financial mistakes and today make the decision to start doing things differently. Make sure you know what's going on in your business and start regularly transferring a fixed amount of money from your business account to your personal account.

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Now, what's going to happen in the months when and if you are short, right? The cash flow just isn't covering the expenses that month. I actually recently had that situation with one of my clients. She indeed had to go to the bank, or she decided to go to the bank, and she took a business loan for her business. Okay, so now, what are you going to do?

Now your business expenses go up because you have loan repayments. You've now added to your cash flow, including your rent, electricity, water, Zoom, Canva, and everything else that's going on in your business, and now you have loan repayments. So, you have a couple of choices to make.

Let's say, for example, you borrowed \$10,000, and we're just going to keep it simple, and you have 20 payments of \$500 that you need to pay back to the bank. As I said, we're keeping it very simple, so you have two choices: you have to create more income, you have to somehow find an additional \$500 after taxes, right of money that you can now use for your debt repayment. You can reduce your home expenses, your personal life expenses by \$500 so that you can keep the money in the business, and yeah, for another 20 months, it's going to be a little bit tighter, you know, in your personal life.

Or if there's some sort of mix match in timing, maybe after two, three, or four months the business will have generated an increase in income that will cover both the debt repayment and the ability to transfer the money over to your personal account, right? Or you're going to have to figure out a different way to reduce expenses in your business account so that you can cover the debt repayment without sending your business cash flow into the minus, right?

There's going to be a little bit of trickiness, but the biggest reason why 80% of businesses fail in the first 5 years is because they run out of cash. So, you want to make sure that you know your numbers. Know your numbers in your business and similarly know your numbers, your financial numbers in your personal life, but the way to make sure that you have enough money in your business is to know what you're dealing with. If there's a lot of

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fogginess and fuzziness around your number, you're just going to be running in circles, and it's always going to be very stressful, and that doesn't create financial freedom.

You can't make rational decisions about the numbers if you don't really know what's flying. So, look at your numbers and then make logical CEO decisions. We're not making emotional decisions about what we want to do. We don't want to be operating on scarcity and what if and hope and a wing and a prayer, right? You want to look at the numbers and let the numbers do the talking.

Make sure you know how you're going to cover all of your expenses. Put a plan in place and follow your plan. Put some money into a buffer account, rainy day fund, financial freedom account, whatever you want to call it to make sure that you have cash available for the unexpected because the unexpected always happens. And create a separate savings account for those reoccurring expenses that are going to happen in three months from now, six months, nine months from now.

You know you're going to have some recurring expenses. Don't wait until the last minute and start chasing around like a hamster on a hamster wheel around and around trying to create more money quickly to like pay this big bill that's coming up. Make sure that you're saving ahead of time for future expenses, and create regular systems so that you're taking money from your business account and regularly paying yourself into your personal account because you want to run your business like a CEO who's paying her employees, and as I said you wear two hats.

You are the CEO of your business, and you're also the star employee. You want to make sure that your star employee always gets paid so that she's motivated to show up tomorrow for work and do her best job. Alright, my friends, that was a lot of geeky number stuff for you to follow, and financial management, financial mechanics for you to follow in your business so that you can create financial freedom in your business which is going to have that beautiful domino effect to create financial freedom in your life.

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If you have any questions, please feel free to reach out and ask me. It was maybe a little bit more technical this week than we've had in the past. So, feel free to reach out to me at debbie@debbiesassen.com if you have any questions. You're always invited to send me an email and ask me. If you like today's show, the more reviews it has, the more Apple is going to show it on their platform, and the more people will be invited to listen to this show. Alright, thank you very much. Happy April. I will see you next week.

Thanks for listening to *Mastering Money in Midlife*. If you want more information on Debbie Sassen or the resources from the podcast, visit masteringmoneyinmidlife.com.