

## How do we even work out our 6 Magic Numbers?

Let's tackle the first two Magic Numbers and the tools that can help you calculate them.

The first two numbers are related to our income and expenditure, or cashflow.

Essentially - how much we **earn**, and how much we **spend**.

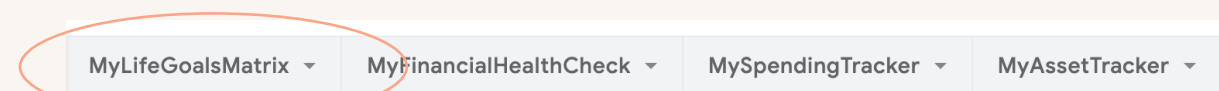
To work these numbers out accurately we can use a *Wealth Tracker*.

Wealth trackers can come in many forms, from budgeting apps to a simple excel spreadsheet. It's best to choose the format that suits you best.

Whether you prefer to be detailed, or high-tech, it's good to start with something simple. We've created a Wealth Tracker template to get you started.

### [Get your Wealth Tracker](#)

**PS. Remember to make a copy of the Wealth Tracker before you get stuck in!**



You'll see the Wealth Tracker has four tabs. The first two tabs includes a 'Life Matrix'; as we know that our financial goals and money moves help fuel our life plans. This Life Matrix is a way to remind us of the why and how we'll each benefit from improving our financial system and admin!

On the first tab, you can record your goals and ideas. On the second tab, you can work through a financial healthcheck which includes plenty of supporting links and resources.

**Continue to the next page as we dive into tabs three and four.**

## Tab three - The Spending Tracker



There are two different methods to the Spending Tracker. We'll cover both methods so you can choose the one that best suits you.

### APPROACH 1:

**If you're like a set and forget strategy** and want a quick 'n' dirty annual snapshot of your spending right now, this approach could be for you.

- i) Hide columns C – Q
- ii) Download your last 3-months worth of bank statements
- iii) Group your expenses into the categories listed in the Spending Tracker
- iv) Enter each amount into Column S

From there, you'll immediately be able to see your weekly/monthly/annual spending plan!

Next to each item, there's an additional column for note-making. You can use this space to explore or improve as you go. If you choose to review your spending in this way, we suggest you repeat this process about every 12 months, or more often if your situation changes.

### APPROACH 2:

**If you haven't done this exercise in a while (or ever), and you're super interested in reaching your savings goal ASAP**, we suggest taking the slow and steady approach. Start by entering your figures each month into Column C–N.

- i) Download last month's bank statement
- ii) Group your expenses into the categories listed in the Spending Tracker
- iii) Enter the details into Column C
- iv) Pop a recurring reminder into your calendar and repeat every month

This way, your earning and spending patterns become top of mind for 12 months. When you stay focused and acutely aware, your goals can come racing towards you.

Keep in mind: this option does take some diligence and willpower. So, try to set yourself up for success! If you think you might do the first two months and then fall off the bandwagon, you might like to consider Approach 1 instead.

### TIP!

The goal is to be 'cashflow positive' – meaning you'd be earning more than you spend and are therefore able to save and/or invest the difference for the future. This might not always be possible – you might be self-employed, in a phase of low to no income, in an unpaid caring role, or funnelling your cash into starting a new business.

We call this a 'lumpy' income. In these instances, you can set up your Spending Tracker so you are tracking your cashflow quarterly or annually, rather than monthly. This helps to smooth out the lumps and give you a more realistic picture of your situation.

Alternatively, enter the data each month and at the end of 12 months, reflect and learn from the weekly and monthly averages in Column O, P, Q.

## How do you know if your spending plan is effective?

Once you've identified your first two numbers through the Spending Tracker exercise, the next big question is: how do you know if your spending plan is effective?

Magic Numbers 3-6 can help! These numbers influence what we 'own' and what we 'owe', or in financial lingo, our '**assets**' and '**liabilities**'.

Our assets minus our liabilities give us our '**net asset value**' or '**net worth**'. Being familiar with these numbers helps us to identify what financial phase we are in – and whether our money system is working for us, or against us!

Assets – Liabilities = Net Asset Value (NAV)

### For example:

- If we are in our 40s with a young family we might be focused on building wealth – so we want to see our NAV grow.
- If we are enjoying a sabbatical or our retirement, we may be drawing on our accumulated assets or wealth to support ourselves. So, our NAV may be declining as we stop earning income and spend some time enjoying the fruits of our labour.
- If we have found ourselves in debt to a level of discomfort, we may be focussed on debt repayment – and can use the Asset Tracker to regularly check in to see if our liabilities are declining.

**There's no right or wrong financial phase to be in – what we're focussed on is having an awareness and knowledge of where we're at.**

Once we're equipped with knowing our key numbers and money patterns, we are then in a position to decide if we're happy with our current situation, or if we want to make some changes to our money system to shift our financial direction.

### For example:

- If we look at our assets and liabilities and decide we want to fast track our personal debt repayment, we need to increase Magic #3.
- If we want to build our emergency buffer, we need to increase Magic #4.
- If we want to pay off an investment loan or build a share portfolio, you need to set up your money system to direct more of your income toward Magic #5.
- If you want to grow your super, you need to allocate more cash each month to Magic #6.

When thinking about our finances, it can be important to consider: is our money set up in a way that it is supporting us to live the life we want to lead and achieve the goals that are important to us? And how do we even know if our money system is working for us or not?

Just like a business measures its financial metrics or Key Performance Indicators (KPIs), as individuals we need to be familiar with a few numbers in our life, too. We can use these numbers to see if we're on track to live our best life and to achieving the goals most important to us.

To be able to create an effective money system that's fuelling your personal goals and priorities, it's important to work out what we call your '6 Magic Numbers', and how much you need to be directing to each area to achieve your goals.

Just like reading a map, planning to reach your goals is all about knowing where you are today and where you need to be. Then it's about planning the best financial steps, or the best path, to get from A to B. These 6 Magic Numbers help us lay this map out, and help us to check if we're on the right track to get where we want to be.

## 6 Magic Numbers

My Magic Numbers	Allocation per month	
	Current (\$)	Ideal (\$)
<b>1. Income</b> – what you earn (i.e. salary, income from side hustles, interest, rent, dividends, etc.)		
<b>2. Living expenses</b> – what you spend (i.e. rent, bills, food, transport, insurances, gifts, education, entertainment, etc.)		
<b>3. Personal debt repayment</b> – paying off personal loans (i.e. credit cards, home loan, car loan, etc.)		
<b>4. Safety buffer</b> – cash put aside for an emergency. (If you already have sufficient money aside for emergencies, you may not need to be regularly contributing to this)		
<b>5. Savings &amp; investments</b> – what you save/invest for short and medium term goals (i.e. savings, share purchases, investment property or business loan repayments)		
<b>6. Super</b> – what you invest for long term retirement savings (i.e. super contributions)		

## Tab four - Asset Tracker

Tab four of the Wealth Tracker is the Asset Tracker.

You'll see the top boxes will be autofilled from the financial healthcheck, let's move down to line 17 where we can add up our assets – or what we own.

**Reminder:** make this your own, whether you want to complete this exercise monthly, annually or every couple of years is up to you. For example, if you've recently applied to borrow money, you might have had to share this info in some format or another, with your bank or mortgage broker.

Now you've got the tools to work through your 6 Magic Numbers – how does this knowledge link back to your money system? There are lots of different ways to set up your money system – here's an example of how you can use three bank accounts to manage your 6 Magic Numbers

## SETTING UP 3 KEY ACCOUNTS TO HELP ACHIEVE YOUR 6 MAGIC NUMBERS

### INCOME ACCOUNT

(Offset or high interest account, no card access)

#### WHAT COMES IN:

##### Income #1

I.e. salary, income from side hustles, interest, rent, dividends, etc.

#### WHAT GOES OUT:

##### Retirement Savings #6

I.e. personal super contributions

##### Investments for your Life Goals #5

I.e. expenses or investments associated with buying shares, setting up a business, repaying investment property loan

##### Contributions to your Safety Buffer #4

### LIVING ACCOUNT

(Offset or everyday account, with card access)

#### WHAT GOES OUT:

##### Personal Living Expenses #2

e.g. food, bills, play money...

##### Personal Debt Repayments #3

e.g. home loan or credit card repayments

#### WHAT COMES IN

Pay yourself weekly or monthly the total of #2 + #3 from your income account

### SAFETY BUFFER ACCOUNT

(Offset or high interest account, with no card access)

#### WHAT COMES IN:

##### Safety Buffer Contributions #4

from your income account

#### WHAT GOES OUT:

Use this cash in an emergency (then top it back up again when you can!)