

FINANCIAL THERMOSTAT

STEP 1 (BUDGET) + STEP 2 (MONITORING) + STEP 3 (KRONC) = "FINANCIAL THERMOSTAT"

Keeping your finger on the pulse of your numbers is powerful.
Pairing it with the KRONC* method is life changing.

STEP 1 (BUDGET)

a) **First and foremost, you need a budget. If you've never created one, follow the link for an example budget (<https://tinyurl.com/forward-focused-budget>)**

TIP... The initial step of plugging in estimated expenses can take a bit of time, so gather your financial records (bank statements, credit card statements, checkbook, logins for online accounts, etc.) Look back at recent spending to help estimate expenses for the coming months.

b) **Now that you have your estimated budget in place, answer these questions to guide any changes:**

1) **Do you have an emergency fund of 2-3 months (business/personal)?**

If no, adjust your budget to help save an emergency fund before anything else. Always maintain 2-3 months of expenses in an emergency fund to help safeguard against revenue dips and unexpected situations.

2) **If you had \$10,000 right now, what would you spend it on?**

Cannot use on rent / mortgage.

3) **If you had \$20,000 right now, what would you spend it on?**

Cannot use on rent / mortgage.

4) **What is your monthly cash flow needed to cover all personal expenses?**

5) **What is your monthly cash flow needed to cover all business expenses?**

6) **Where do you have greater opportunity to make change — in your revenue or in your expenses?**

Fat happens a little over time, not all at once. Take a hard look at your expenses and check for fat.

*"This may not sound like a lot of fun — but what **is** fun is the life you get to live when you're making financially sound decisions every week as you're running and growing your organization"*

- Jon Reusch

STEP 2 (MONITORING)

Keep tabs on your budget regularly.

a) **Bi-monthly.** Revisit your budget and spending habits on the 15th of the month and again at the end of the month. By mid-month, if you're over or under in certain categories, you should adjust your activities.

b) **Month end.** At the end of the month, flag categories you've gone more than \$50 over/under. Modify next month's budget accordingly.

TIP... Accountability is key. To truly get real with your numbers, revisit your budget twice a month. Think of it as developing new muscle memory. Add your budget check-ins to your calendar and hold yourself to it — no procrastinating.

STEP 3 (KRONC) *KRONC - As seen with SHIFT and Keller Williams Training and Development

Keep, Reduce, Offset, Negotiate, Cut.

KRONC is the secret sauce for game-changing financial control.

Tip... This activity can be done in both personal and business areas of your life. This activity should be done with your spouse or with a business partner/lead financial person in your business. If the goal is to cut 10%, 20%, etc...start by cutting as much as you can with your first month, and then cut 2% every month thereafter until the goal is achieved...then maintain. (much like a diet with workout plan where you have a goal and you work toward it then you maintain it).

KEEP. What things must remain in your life/business?

- Personal: Non-negotiable things (e.g., mortgage or heating bill in winter)
- Business: Subscriptions you need to maintain (e.g., MLS in real estate; office utilities)

REDUCE. What things can be cut back on, yet still needed?

- Personal: Pick something to cut back on (e.g., carpooling/biking to save on gas; get rid of Hulu/Netflix/Amazon Prime)
- Business: Pick at least one business expense to reduce (e.g., office supplies, coffee supplies)

OFFSET. Can you spend less in one area to make up in another area?

- Personal: Get creative (e.g., cut down on Starbucks and use savings to buy a good home brewer)
- Business: Look for alternatives (e.g., hire family to cut grass; potluck over catering)

NEGOTIATE. Where can you get a deal?

- Personal: Weigh all options (e.g., pay up-front for a better deal; buy in bulk; explore cash vs. financing vs. credit; trade/sell what you're not using)
- Business: Adopt a start-up mentality to get the best deals (e.g., defer rent and add on to the backend of term; sign a longer cable/internet deal for a lower rate)

CUT. What can you go without, even for just 6 months?

- Personal: It's only temporary! (e.g., wine subscriptions; streaming services; dining out; road trip instead of airline travel)
- Business: Look for fat to trim (e.g., video conference instead of travel; cut out lunch/dinner meetings; cancel investments if you can't prove revenue growth)