



## FINANCIAL MAPPING, LLC

### ► What Would You Do with \$1200?

It's not a dream. What would you do with an extra \$1200? You could buy a new computer, start or pay into a retirement plan, pay a few bills and the list goes on. The trick is to find the \$1200. I found my \$1200 in a telephone line that was no longer being used. I had the line disconnected. When the next bill arrived I had saved \$100 over the previous bill. Over the course of a year, I found \$1200. Where will your extra money be found? The search starts with your checking account and ends with your credit cards. If you have your accounts in a software program run an expense report that shows each expenditure by category (i.e. advertising, office supplies, etc.) for the past three to six months. This time frame will give you a good look at repetitive expenses. Seeing items grouped by category of expense will also give you a clear picture of trends that may be occurring.

Look at each expense as well as category and ask yourself these questions:

1. Is this expense necessary for the operation of my business?
2. How does this expense enhance my business?
3. How does this expense give value to my client?
4. What value am I receiving for the money I'm spending?
5. Has the expense increased over time? If so, is it due to increased business.

If the expense isn't necessary for the operation of your business, doesn't enhance your business nor give value to your client, or you are not receiving a benefit then it is time to cut the expense. Increases in costs are normal to operations. However, if the increase is more than 10 percent then you need to evaluate the reason for the increase. I have a client that saw his expenses increase by more than 60 percent due to the astronomical increase in gas prices.

Unfortunately, he is a traveling salesman and he isn't able to trim much of that increase. Controlling expenses isn't limited to times when your budget is tight. It is especially important to evaluate your spending when your cash flow is abundant. CEOs, owners and managers have a tendency not to evaluate spending when money is flowing. One of my clients had more than \$120 a month in repetitive charges on his debit card for subscriptions to internet services that he had forgotten about. He had started using the services when he had good cash flow and stopped using them as he got busier. However, he hadn't cancelled the services and the charges continued. In twelve months he spent \$1440 that could have been in his pocket. If you hesitate when answering the questions or have to look for a reason you are spending the money, it isn't money well spent. Your extra money is waiting to be recovered. Seek and ye shall find.

#### **Quick-Tip**

Evaluate your spending every quarter. You are more apt to find extra cash and the search will not be so daunting.

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