MONEY**MATTERS**

finance for the savvy solo mum

With Helen Baker, financial advisor and specialist in finance for single mums

In the last issue of Lift, we started exploring my Five Financial Foundations for your financial "now" and your financial "future". The first of my five financial foundations was making sure you have an emergency fund set up. If you didn't read the last issue of Lift (issue 4), you can download it here to catch up!

The second foundation we'll cover in this issue is around cash flow. Some people refer to cash flow as a budget, but I don't really like that word because it usually conjures up ideas of handcuffs and restrictions and is more about what you can't spend rather than what you can. The term "budget" usually springs to mind in a negative way, and just like the word 'diet', if you set unrealistic and unmanageable expectations you'll will blow all your hard work, so the key is that it needs to be sustainable.

Instead, I prefer to call this second foundation your "spending and investment" plan which is actually a much more realistic idea of what we're really aiming to keep track of. We are going to spend. We have to buy groceries, pay the rent/mortgage, put petrol in the car, pay for children's sports or school trips and have a holiday. Instead of imposing hard and strict rules on those things that can make life feel miserable, what we want to do is find a way to balance your income against your expenses in a way that still leaves money left over to look at investing.

Now depending on where you are in your single motherhood time line, right now you may only be able to meet your expenses until you find the best career/working arrangement for your situation, or until your property settlement happens, or you get through the first couple of years and find your feet again. It can sometimes take time to get it all together so be kind to yourself, you only need to take one step at a time.

In my book "On Your Own Two Feet – Steady Steps To Financial Independence", I talk about having separate pots for your money including money for bills, holidays and normal everyday spending. If you add up all your bills for the year and divide that by the amount of times you get paid, e.g. monthly then divide by 12, fortnightly by 26, or weekly by 52, then set aside that amount into a separate account every time you get paid, when the bills come in you will already be sorted. The money is there and there's no more stress about bills!

And if you take it to the next level and set those predetermined expenses up on a direct debit or a regular payment in your online banking account, it actually takes that whole stress of bills away from you completely. Systemise and automate where you can!

Now to the practical tools to get you on your own two feet. For working out your cash flow you can use websites like www.moneysmart.gov.au. Money Smart is an easy online tool that allows you to plug in all your numbers and get an over all idea about your position.

Once you know your position, you can then decide on the best spending and investment strategy for your situation.

One trick I've found works really well is to live totally off what you earn i.e. what you can control. You can always depend on yourself to provide for you and your family, you'll find a way to pay the rent and put food on the table. If you can ensure you stay afloat with the money you receive from working you can treat your child support money or family tax benefits as a bonus and start funnelling them into another account to use as a holiday fund or one off events you hadn't planned for. It also means if something changes in your ex-partner's life and child support reduces, you are still standing firmly on your own two feet! Overall it will mean a less volatile ride and give you so much more certainty and control over your situation, which only leads to more confidence. You will rely less on others and be in control of your own destiny.

Once you've got your spending sorted, if you have funds left over then it's time to make a start on the investing side of things. We know that superannuation for women is statistically way behind men and really on its own it won't be enough for us to survive, so we need to look at propping up our own investments too. When it comes to investing, time is our friend, so the earlier we start, even with small amounts, the better off we will be.

So if you can, work towards the idea of spending less than you earn and borrowing less than you can afford and you're on your way to standing on your own two feet.