



Money Management

Money spent on one thing is money spent away from something else.

Positive Affirmations:

Saving money is fun.
 I love to save money.
 I am a good money manager.
 I create wealth for my family.
 I am a child of God and He desires abundance in my life and for my family.
 As I increase my income I can bless my church with even more tithes and offerings.

Favorite scriptures about prosperity:

Beloved, I pray that you may prosper in all things and be in health, just as your soul prospers. *3 John 2*
 God is now meeting all my needs according to His riches in glory in Christ Jesus.
Philippians 4:19

**Monthly goal for personal sales: \$2000 = \$1200 order (60%) each month
 = Emerald Star every quarter = Court of Sales Winner!!**

How to create a \$2000 month in retail sales by working 5 hours a week.

The average consultant works 5 hours or less *unless* they are earning/maintaining a car or in Director qualifications.

The company-wide class average is approx. \$200. This figure will dramatically increase as you become proficient at working with the new roll-up bag.

In order to create new sales each week we need to be holding 2 classes a week.

Working with these figures let's see how we can create enough activity to generate \$2000 in retail sales.

2 classes per week x 4 weeks = 8 classes a month
 8 classes a month x \$200 = \$1600 in retail sales

The remaining \$400 needed will generally come through reorders or stop-by appointments. Notice that you are still working 5 hours or less of people time.

Monthly goal for personal sales: \$2000 = \$800 to my 40% account

What type of expenses should my 40% cover? Typically your 40% will cover family or personal savings, postage, room fee, workshops, company wide events such as Career Conference, Fall Retreat and Seminar, Preferred Customer Program, inventory loan if you have one, and if you choose your tithes and offerings to your church.

This is my first year with Mary Kay. Is it normal to use some family money to cover my expense to travel to company functions or should I not attend if my business can't support the expense yet? Yes, it normal and yes you should still attend. We are fortunate in Mary Kay as we can attend every major function and spend between \$1000—\$1200 provided we watch our expenses while at the event. ***Hint:*** Avoid the vendors!! If every year you find yourself taking family money to pay for your trip you should consult with your Director so she can help you analyze how you are dividing your 40%.

How to split \$2000 in retail sales each month.

Example:	\$1200 Section 1	(60%)
	\$40 Section 2	(5% of the 40% or 60%) {you decide...I prefer 40% so I can keep a larger inventory}
	\$24 PCP	(3% of the 40%) {Based on 50 clients}
	\$80 *Travel Fund	(10% of the 40%)
	\$48 Room & Workshop Fees	(6% of the 40%)
	\$96 Postage/Gas	(12% of the 40%)
	\$25 Savings	(approx. 3% of the 40%) {I increase this amount 1% - 2% every year-I have it automatically deducted from my checking account.}
	\$100 Inventory Loan/C.C.	(approx. 13% of the 40%)
	\$387 **Family Income	(balance of your original 40%)

*In a year you will have saved \$960. If you are saving your change for travel as well you will not use all of the money you have saved. You can then use this for your family vacation or anything of your choosing.

**This amount will grow as you pay off your inventory loan. It will also fluctuate when you have less room/workshop fees & postage/gas for the month.

RULE OF "72"

Another important concept in understanding the magic of compound interest is the "Rule of 72!" Your money will "double" at an exact point by **dividing 72 by the % of interest!**

72- 1% interest = 72 years*
72- 3% interest = 24 years
72- 6% interest = 12 years
72- 9% interest = 8 years
72-12% interest = 6 years
72-15% interest = 4 years, 10 months

Let's invest **only \$5.00 each month** and see how important it is for you to get a **little bit higher** return on your investment. The following group illustrates what **3% more interest** will do for you.**

\$5/month
compounded annually

Interest Rates

Years	1%	3%	6%	9%	12%	15%
10	631	699	816	955	1,120	1,315
20	1,328	1,638	2,278	3,217	4,599	6,635
30	2,098	2,901	4,896	8,572	15,404	28,159
40	2,949	4,597	9,585	21,248	48,965	115,233
50	3,889	6,877	17,981	51,258	153,199	467,498
60	4,927	9,941	33,018	122,301	476,933	1,892,606
70	6073	14,059	59,947	290,487	1,482,403	7,657,963

The "Magic" of Compound Interest" is truly amazing!

*If you had invested \$1,000 and received 1% interest it would have grown to \$2,000 in exactly 72 years.

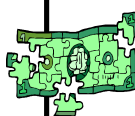
**Income taxes may be due annually on the interest earned even though the money is invested and is not part of your "disposable" income.

My question to you is will you manage your money or will you allow your money to manage you?

Let's take a closer look at the expenses we incur on a monthly or yearly basis.



- Section 1**—This is pretty simple we take 60% of everything we sell. Remember, to deposit all money into your Mary Kay account before taking any of the 40% profit. I recommend using a debit card whenever possible. This will insure that you don't spend more than you can afford. I do use a separate card when the new holiday line is released so I can go ahead and order the quantity I anticipate selling. The trick is to not allow this portion of the order to go unpaid past your holiday selling season. You will incur little interest and will be able to meet your clients needs.
- Section 2**— Make it a habit not to spend more than 5%—8% of your total Section 1 order. When you "go shopping" on the Section 2 portion of the order form you begin to rob your inventory of future sales and cut your future profits.
- Preferred Customer Program**— This *is not an option* if you want to maintain a clientele that continues to purchase from you year after year. As your customer base grows please realize that your 60% will probably not support the full expense. You will need to use a portion of your 40%, otherwise, you begin to rob from your inventory orders.
- Travel Fund**— Don't let panic set in as a trip draws close because you have failed to set aside money each month. When this happens we tend to embezzle from our 60%. Worse yet, we may say the dreadful words, "I can't afford to go. I'm not making any money with my Mary Kay business." Let's be honest! We are making money we just chose not to set aside a little each month to be prepared for the future expense. **TIP:** Begin to save all the coins from your wallet and from the laundry or any change you find lying around the house. You will be surprised how much money will accumulate in a year. Usually, it will range from \$200—\$400. I personally never give change instead I break a \$1 and save all the change. You can take your coins to your local bank or to Kroger. They usually have a machine you pour the money into that counts it for you for a minimal fee. It is so much better than wasting your precious time rolling it when this takes only minutes.
- Room and Workshop Fees**— This money is set aside for weekly room fee, Pacesetters, Bill Cantrell, makeup artist, etc. Month in and month out you will not spend this all the money in this category. It could roll back over to your family income. Or if you are paying on your inventory you could pay a little extra to reduce your loan more quickly.
- Postage and Gas**— This is a hard category to judge. Never complain about the cost of postage. ***This expense is in direct proportion to your income.*** As a consultant I did not always pay for gas from my Mary Kay income. At the time I worked 4 days a week so I couldn't justify my business supporting what was a large monthly expense even before I started my Mary Kay business. In order to take gas expense off simply use cash taken from your personal account and keep the cash receipt.
- Savings— Principle #1 Get Started Now!** Where will I get the money? **Problem:** Most people have too much **month** left at the end of the **money**. They don't have "extra income" to invest for the future. The present is tough enough. **Solution:** No matter what your income, you can find money to save. It's a matter of **repositioning your income and priorities.** **Principle #2 Pay Yourself First!** **Problem:** At the end of the month, most people don't have anything left to save. **Solution:** At the first of the month, before you pay anyone else, write a check to yourself for 10% of your income. **Tip:** As consultants and directors our income fluctuates each month so it makes it's hard to judge 10%. Instead, I began by taking \$25 each month and at the beginning of each new year I increase that figure by \$10. The first year you will save \$300. The second year you will save \$35 with a total savings of \$420. The fifth year you will add \$780 by saving \$65 a month. I use a money market fund. These accounts can be found at most banks. You will not receive a huge dividend, but it will be in a place that is *not easy to access*. I have to write a \$100 check to draw money from this account. Therefore, I find myself thinking twice before making initiating expenses. **Principle #3 Use Time and Consistency!** It's a common misconception that to save a lot of money you have to make a lot of money. In reality, acquiring a substantial sum of money requires only two things: A. Time B. The discipline to consistently work toward a goal. *If you use my example above you will have saved \$2700 not including compound interest. The other thing I would do is when you reach a \$1000 move it to a CD and continue the savings plan as usual. I would only put the money in a 3 month CD unless you find one that is paying substantially high interest. This will allow you to seek out the highest paying yield each quarter.*
- Inventory Loan**— I recommend this amount not exceed \$150 a month. The interest you pay is a tax deduction. I know some people don't like debt even if it is a business expense. If that is the case you can always pay an additional sum on the principle each month so you can pay the note off sooner.



Odd and Ends Concerning Money Management.

I also calculate my church tithes and offerings as an expense. Of course, this is a personal decision and only you can determine if this will be a normal monthly expenditure. Along with taking my savings out at the beginning of the month I also write a check to my church each time I make a sales deposit or when my commission check is automatically deposited from Mary Kay.

Please note that we have not even touched on commissions earned from Mary Kay. I really want you to see that as a consultant you can pretty much run your business with a consistent \$2000 in sales month in and month out.

- As a new consultant I used my commissions for a special family savings project. Mine was for remodeling, but you could also use it for a surprise family vacation, a college fund, to make the mortgage payment or maybe for your “mad money”.
- As a DIQ and then as a Director I began to take my personal 13% check into a savings. This money can be used for your travel fund and also to pay any income tax you may incur as your income with Mary Kay grows. Otherwise, at the end of the year whatever hasn't been used can be added to your family budget.

I encourage you to seek out a bank that will allow you to have a checking account that also has a savings account attached. This will allow you to move money easily from place to place. Do make sure you have a paper trail so as you move your money it does not appear to your accountant or the IRS to be additional income. I use a credit union that charges no monthly fees for my checking or savings accounts. My checking and savings accounts are also interest bearing. It is only a small amount, but it does add up over the year. I have a personal and a business account. They each have two savings accounts attached. **Tip:** Spend a few minutes researching the local banks and credit unions in your area that offer no fees and interest bearing accounts. I bet you can find them if you ask.

Let me show you how I use the business savings.

- **Savings 1**—This is where I save my travel money.
- **Savings 2**—This is where I save my 60% for my inventory order each month. If you don't have a second savings you could also write out a check to your credit card company or if you are using a debit card you can simply write the total out to your bank. The money will still be in the bank until the check or debit clears, but when you look at the figure you will have a true figure to work with as you incur expenses during the month.

Key Points to Beginning Good Money Management

1. Always pay yourself first. Be in a habit of saving a little each month.
2. Never say I can't afford something...instead say...I choose not to spend my money on this.
3. When you manage money in your business it will carry over into your family finances as well.
4. Before making any purchases while out shopping, or at the vendors during Career Conference or Seminar ask yourself these questions...

Do I really need this?

Will this help build my business, benefit myself or my family?

Have I shopped around for the best buy?

Is this a large purchase that I need to save for this or can I bear the expense now?

5. Plan ahead when you are out working your business or doing family errands. If you will be out during lunch time why not pack a sandwich, pretzels, and a bottle of water. This not only saves time and money, but it will save you the fat grams & calories.
6. Why not shop at consignment shops or the Goodwill or Thrift stores in your area. You will be amazed at the name brand clothes you can purchase for only a few dollars. If you really watch you can find great bargains that are gently used. *Example:* I picked up an Express brand stretch tan pant suit for only \$1 at the Goodwill. It had hardly been worn. I priced it when I was at the mall. The suit would have cost me \$175 brand new.
7. Call your credit card companies and ask what your interest rate is when you carry a balance. When they tell you ask if there is any way you can lower the balance to a lower fixed rate. Normally you can get it down to about 11% or less. I don't recommend carrying a balance, but you never know when an emergency will happen and you have to for a few months. If that's the case you don't want to be paying 18% or higher.