

How to Make Friends With Your Money

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If you read our [Trapped in the Cycle of Financial F-Words](#) article, Karen Collacutt from [Money Coaches Canada](#) revealed the four f-words that make up the cycle of financial debt that many people find themselves in.

First they're usually **Faking It** by pretending that they have everything under control and probably genuinely believe that they're living within their means. Then there's **Frustration**, when they realize that what they're doing to fix the problem isn't working. After that, it's **Fear**, because now you don't know how you're going to get yourself out of this mess, and finally, you feel like a **Failure**.

We went through the five parts of the cycle, but there's only one way, according to Collacutt, to truly exorcise it from your financial life. You need to introduce The Five Keys to Making Friends with Your Money, which Collacutt lays out as **Dream It, Know It, Love It, Plan It and Work It**.

"Most financial books will tell you that the first thing you should do is track your expenses, but in my experience that leads to more frustration," she says.

Instead, she recommends **Dream It** because then you get a sense of where you want to go, you get excited about getting there and then you get creative about how to make it happen. "By articulating your goals and dreams, it becomes a lot easier to change your financial habits because now you have a compelling reason to do so," says Collacutt.

From there, people start talking about what they would rather do and it becomes easier to save money for big things, rather than spend money on small things, such as pizza night every Friday. They start to feel empowered to say no to one thing, so that they can say yes to something else.

The second step is to **Know It**, which, just like G.I. Joe, is half the battle. This is the step where you really have to know what you make, what you spend and what you owe. "You may know you have debt, but have you ever stopped to add it all up? What does your life really cost you and if you've done a budget, does it really cover everything?" asks Collacutt.

This is the step where you start to really know your numbers and once Collacutt's clients really know them, they report that they are no longer faking it like they used to.

Frustration and fear also fall away because suddenly they have their true financial information.

"Most of my clients think they are living within their means, but they're actually carrying a monthly deficit," says Collacutt. "If your debt is creeping up, I can pretty much guarantee you that you're spending more than you're making."

Knowing your numbers means you finally have the tools to make changes and can finally begin to see possibilities for your financial future. Once those possibilities become clear, you can finally start to **Love It**. Love your money and love the amazing life you've already created.

"It's that old saying, 'You can't see the forest for the trees,'" says Collacutt. "This is how many of us live our lives. We can't see how incredibly fortunate we are when we're focusing on what we don't have. Instead, we get caught up in the frustrations of not being where we want to be, not having what our friends have, or having to pay for stuff with money you never really even had in the first place."

We all need to celebrate what we do have, so this key is designed to help remind you of your blessings, your successes and your triumphs, which helps put your current struggles in perspective and makes the financial decisions you need to make easier. "Our culture teaches us to want more," says Collacutt. "But sometimes we have to realize that what we have is already pretty good."

The fourth key in making friends with your money is **Plan It**, which means deciding how to match your money to your goals. "In planning, your goal is always to get to zero," says Collacutt. "Getting to zero means that income minus savings and expenses equals zero, which means all of your money is allocated."

Keep in mind that if you have lump sum or quarterly expenses, like Christmas gifts or property taxes also need to be factored in to your zero sum planning. Also, be warned that Collacutt's clients find this the most challenging part of her five-point plan for making friends with your money.

"Making changes to your spending can be very emotional, so having a third party like a money coach or a friend who tells it like it is, to help separate your needs from your wants," recommends Collacutt. Tracking your expenses will give you a good baseline of what to cut. But, most people don't stick to the various charts that they make, so it's much easier to not plan based on what you've done, but plan based on what you're going to do.

Once you have the first four keys down, it's time for the final step -- **Work It**. This key is about tweaking and adjusting all of the other steps as your circumstances change and your goals are achieved.

"I teach all of my clients to have a bi-weekly money meeting on payday," says Collacutt. "For couples, this helps keep the lines of communication open about their money, allows

them to work together to tweak the plan as things change and celebrate their successes as they happen. For my single clients, it keeps them on track and matching their money to their dreams."

If you think you're trapped in the cycle of the five financial f-words and would like to start making friends with your money, book an appointment with Karen at www.schedulewithkaren.com or visit www.moneycoachscanada.com to find a money coach in your area. You can also download her free [Make Friends with Your Money Work Sheet](#) and get started today.