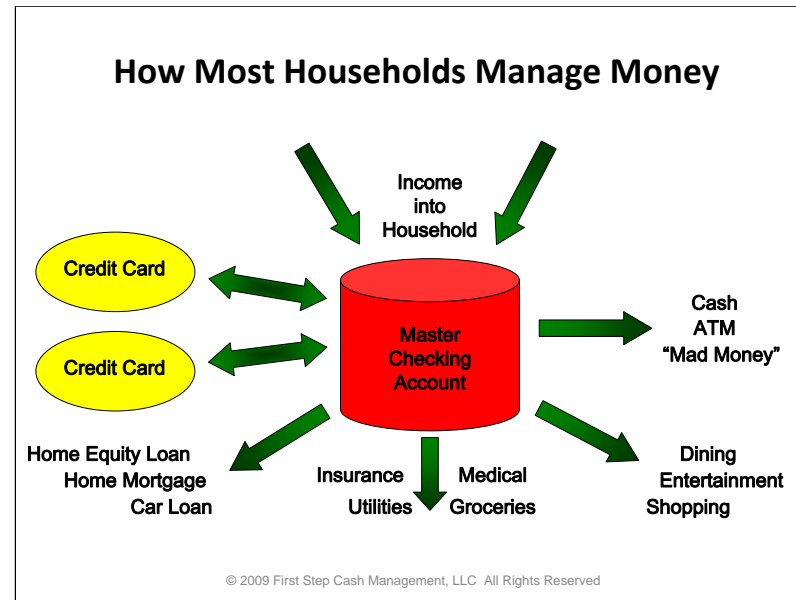


# **First Step Cash Management System™**

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This is typically how most people have their accounts set up and what their cash flow looks like. One big bucket that all the income comes into and that all expenses are paid from. These expenses range from fixed expenses like mortgage payments and utilities bills to expenses that vary such as groceries and dining out. Having all these transactions going on at once makes it difficult to really know when and where the money is coming and going.

*An Easier, More Effective Approach*  
**Three “Buckets” of Money**



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Imagine, instead, that we have three buckets of money, rather than just one, and that the money in each bucket is for specific purposes.

## What Goes in the Buckets?



**Static Bucket™ - 30 Day Money:** what you will spend, on a monthly basis, to cover your fixed expenses and financial commitments



**Control Bucket™ - 7 Day Money:** what you will spend in a week to cover your variable expenses



**Dynamic Bucket™ - Future Money:** what you save to fund your goals and dreams

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Our red bucket, the static bucket, will hold money that will pay for things that we have purchased in the past or agreed to pay for in the past. This could range from mortgage payments to cell phone bills. In other words, the money in this bucket pays for everything we receive fixed monthly bills for in the mail.

Our second bucket, the yellow Control Bucket, holds money to help us pay for things we purchase every week but often vary in cost. With this money we would pay for anything from groceries to dining out.

The third bucket, our green Dynamic Bucket, holds the money we will use for all that we will pay for in the future. This could range from dream vacations to retirement.

## **Your Three Buckets of Money**

**Static Bucket™**

**Control Bucket™**

**Dynamic Bucket™**



**Past  
Commitments**



**Present  
Choices**



**Future  
Goals & Dreams**

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In short, our Static Bucket is for Past Commitments,  
Our Control Bucket is for Present Day Choices  
And the Dynamic Bucket is for our Future Goals & Dreams

## The Static Bucket™

*Your 30 day money--*



- These are the expenses (financial commitments) that you incurred in the past
- You are able to predict these expenses – there are no surprises
- It is critical to know how much money it takes to operate your household on a monthly basis

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Here are some important things to remember about the Static Bucket

-The money in this bucket is for things that you **COMMITTED** to pay for in the past

-Because of this prior commitment, your payments are always predictable – you know how much you need to pay each month and there are no surprises

-The critical part to understanding and taking control of your cash flow is understanding how much it takes to operate your household on a month basis

## The Control Bucket™

*Your 7 day money--*



- This is money that you will spend on typical variable expenses (gas, food, recreation, etc) in one week
- These expenditures are hard to monitor--  
“Where does the money go?”
- The Control Bucket is an easy to use tool for understanding and managing these expenditures

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It's important to remember that because the expenses you pay for with the money in your control bucket always vary, it's hard to monitor where the money is going and how much is being spent.

Keeping track of how much money you PUT in the control buck to begin with, can help you to manage these hard to track weekly expenditures.

## The Dynamic Bucket™

*Your future money--*



- This is the money you will spend in the future
- This bucket prepares you for unexpected financial challenges
- The Dynamic Bucket is also a tool for achieving your goals and dreams

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Deciding on what we'd like to purchase in the future using the money from the Dynamic Bucket, is the fun part! Not only will we be sure to put some aside as a cushion for unexpected financial challenges, allowing us to feel a bit more secure about our futures, but we can also allocate some to reaching the goals we've always dreamed of accomplishing.



## Examples of Expenditures for each Bucket

### Static Bucket™



### Past Commitments

### 30-Day Money

- Mortgage
- Car Payments
- Credit Cards (*debt reduction only*)
- Insurance (*premiums*)
- Property Taxes
- Utilities (*telephone, electricity, garbage*)
- Services (*house-cleaning, health club*)
- Giving (*set commitments*)

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Let's look more specifically at what sorts of things we would pay for with the money in each bucket.

Money from the static bucket will pay for all bills you receive monthly statements for. One of these items would be, purchases you decided to make in the past, such as Mortgage and Car Payments as well as any accrued credit card debt. However, this does not include any new credit card purchases, only debt that has been accrued in the past. Money from this bucket also pays for insurance premiums and taxes as well as on-going services or membership fees such as cell phone bills and health club dues. In addition, if you decide you would like to donate money on a monthly basis to your favorite charity, you can make this a part of your Static bucket as well.

## Examples of Expenditures for each Bucket

### Control Bucket™



### Present Choices

#### 7-Day Money

- Groceries
- Gas
- Eating Out
- Recreation & Entertainment
- Personal Care (*haircuts, manicures*)
- Socializing (*drinks, food, parking*)
- Cash (*"spending money"*)

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Money from our Control bucket pays for all the things we spend money on during the week that don't have a fixed cost. This includes groceries, gas, dining out, and entertainment as well as things like haircuts, parking, and lattes. The cost of all of these items can vary from week to week.

## Examples of Expenditures for each Bucket

### Dynamic Bucket™



### Future Goals & Dreams

#### Future Money

- Cash Reserve & Emergency Fund
- Holidays & Gifts
- Vacations
- Home & Yard (*Furnishings, Improvements*)
- Car Repair & Replacement
- Education Funding
- Retirement Savings
- Special Giving/Sharing

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Money in our Dynamic Bucket will pay for anything we need or want in the future. This could be a wide range of things and totally depends on the needs and wants of each individual. Usually individuals will allocate some money to emergency funds, retirement saving, and healthcare savings to ensure security in the future. Some of the money is usually allocated to needs they foresee in the near future such as car repairs or replacement, home improvements, or education funding. And lastly, money is allocated to several “wants” we have. This includes holiday or birthday gifts for loved ones, family vacations, charitable giving, or any other dream they wish to accomplish.

## How the Buckets Work

The size of your **Static Bucket** (30-day money) limits the size of your **Control Bucket** (7-day money) and what is available for your **Dynamic Bucket** (future money)



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How do these buckets work together?

The amount of money needed for your Static Bucket will directly affect what is available for your Control Bucket and Dynamic Bucket. This scenario (the large Static Bucket and very small Control and Dynamic Buckets) could represent the financial state of a student just entering the workforce after graduating from college. This person probably has large student loans to pay off and is starting out at a lower salary.

## How the Buckets Work

Lack of focus on your **Control Bucket** (30-day money) will reduce/eliminate money that could be available for your **Dynamic Bucket** (future money)



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How much money you spend weekly (money from your Control Bucket) also effects how much is left over for your Dynamic Accounts.

This scenario could represent someone who prefers a very lavish lifestyle that is outside of their means. They have high monthly bills to pay for luxurious cars and houses and also spend large amounts of money during the week on dining out, entertainment, and personal care. Because this is outside of their means, there is little to none left over for future purchases.

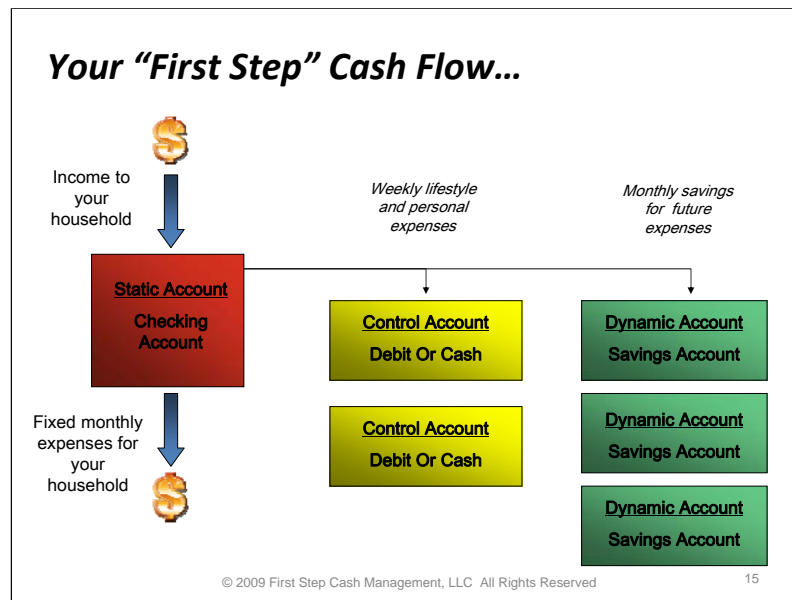
## How the Buckets Work

- When a large expense occurs, and the money has not been saved in your **Dynamic Bucket** (future money), it gets added to your **Static Bucket** (30-day money) in the form of debt
- This builds a larger **Static Bucket** (30-day money) and reduces the amount of money available for your **Control Bucket** (7-day money) and **Dynamic Bucket** (future money)



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It's important to also keep in mind that any new large expenses that were not saved for ahead of time in your Dynamic Accounts will be added to your Static Bucket in the form of debt. Money from the Control Bucket or for the Dynamic bucket will need to transfer over to the Static Bucket in order to cover this new expense.



To simplify your cash flow and help you to easily monitor where your money is going, we can set up your bank accounts to function like these buckets. Here is what it would look like:

- 1)Click: Your household income would go directly into your Static Bucket, which is a checking account.
- 2)Click: Your monthly bills can automatically be paid each month from this account. (on-line bill pay)
- 3)Click: Also, as soon as the income comes into the Static Bucket, certain amounts can be automatically transferred out to fill your Control Buckets and to fund your Dynamic Bucket.
- 4)Click: Your Control Bucket will be represented by two debit accounts (one for each spouse) from which you can withdraw a set amount of money once a week that **we** will make sure is enough to pay for any variable weekly expenses.
- 5)Click: Your Dynamic Bucket will be represented by several savings accounts, one for each item you would like to save for in the future. Automatic transfers can be set up to fund each account each month.

## First Step Cash Management

*What this tool can do for you....*

- Simplify and automate your financial life
- Demonstrate how your financial resources are allocated
- Develop a clear framework for making decisions
- Provide an effective way to communicate about your household finances
- Help you to prepare for life events and unexpected challenges
- Clarify your priorities and develop a powerful process for achieving your goals and realizing your dreams

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This first step system will help you to simplify your cash flow and will make everything automatic so all you need to think about is withdrawing your weekly amount of cash and spending it however you'd like. It will also be fun and exciting to sit back and watch each of those dynamic accounts grow.

The other benefits the First Step System will afford are:

- An understanding of where your financial resources are allocated
- A framework that helps making decisions easy
- A way to communicate about and manage the household money with your family
- A way to prepare for expected and unexpected life events

In addition, the process of figuring out what your plan will look like gives you the opportunity to really clarify what your priorities are and set a path to reaching your goals.