



# Know your numbers

**It's a reality of life that we all need at least some money to survive. But how much we need varies hugely. And very often, the amount we'd like or the amount we've become accustomed to are very different numbers from the amount we actually need to keep a roof over our heads and to eat.**

When I was first considering making the shift from employment to freelancing it was scary. The uncertainty – not knowing whether or when I'd have any income – was terrifying! I sat down and worked out how much money I really needed to cover my mortgage, bills and food, and the number that came out was reassuringly low. I remember thinking *"I can make that much in a temp admin job or stacking shelves in a supermarket; as long as I can get work of some kind I'll be OK."* That gave me the reassurance I'd been looking for to make the jump. The knowledge that as long as I could physically work doing anything at all I'd be OK gave me confidence and enabled me to take that first step.

So, if you're thinking of making a change of any kind in your life, I would encourage you to really get to know your numbers. **Work out the minimum income you actually need (not want) to be OK.**

This worksheet will help you do that.

Remember, you're not calculating what you'd like to be able to spend; you're calculating the absolute minimum you really need to cover essential living costs. That's your baseline.



# Step 1: Look at your current numbers

Have a look at the table on the next two pages. For each category write down what you currently spend each month. I've listed some common categories and included some blank rows for you to add your own.

Next, look at each category and consider whether the item is essential or optional. Ask yourself what the absolute minimum figure is that you really need to spend on that category.

Think about whether you could reduce the current figure if you needed to. For example, maybe you're overpaying on your mortgage at the moment. Could you switch to just making the minimum payments? (And if you've been overpaying, the minimum payments may well have gone down from what they were before.)

For this exercise, it can help to be extreme in your thinking.

- ? Could you move house to somewhere cheaper?
- ? Could you reduce – or even remove – budget for buying Christmas or birthday presents?
- ? Do you actually need any new clothes?
- ? Could you take up running instead of paying for gym membership?
- ? What if you stopped drinking or vaping?

I'm not suggesting you remove all joy from your life; this is just an exercise to help you think about what you're willing to change or sacrifice and find out what your absolute minimum number really is.

Be honest with yourself. No-one's checking your work and there are no right or wrong answers. The goal is clarity, not perfection.



Category	Current monthly spend	Essential or optional?	Absolute minimum needed
Rent or mortgage			
Council tax			
Utilities (gas/electricity/water)			
Internet			
Mobile phone			
Subscriptions (Netflix/Sky/Spotify)			
Home insurance			
Car insurance			
Car tax/service/MOT/repairs			
Petrol/diesel			
Public transport			
Groceries and household essentials			
Eating out/takeaways			
Childcare			
Debt repayments			

Category	Current monthly spend	Essential or optional?	Absolute minimum needed
Medication/supplements			
Glasses/contact lenses			
Clothing for you			
Clothing for your kids			
Entertainment			
Gym/hobbies			
Travel/holidays			
Travel insurance			
Savings			
<b>Totals</b>			

My total current monthly spending is:	£
The total absolute minimum I need per month is:	£

## Step 2: Account for tax

Once you know your minimum monthly spending, the next step is estimating the income you would need before tax to cover it. Unfortunately, even if you're not earning very much, tax is an unavoidable reality of life. So, once you've got your absolute minimum needed figure, you need to do some maths to account for tax.

A simple rule of thumb is to assume about 25% of your gross income will disappear in tax and National Insurance contributions. So, take your absolute minimum number and multiply it by 1.33. For example, if your minimum monthly spend is £1,500, multiply  $£1,500 \times 1.33 = £1,995$ . So, you would need to earn roughly £2,000 per month before tax to cover your minimum living costs.

This calculation is only a rough guide, not a precise tax calculation, but it's a realistic indicator for planning purposes at this stage.

My minimum monthly income required before tax is:

£

To turn this figure into an annual salary requirement, simply multiply it by 12. For example, if your minimum monthly income before tax is £2,000, multiply  $£2,000 \times 12 = £24,000$ .

My equivalent yearly income required before tax is:

£



## Step 3: Decide what the numbers mean

**You now know something that most people never actually calculate – the minimum amount of money you need in order to live.**

Take a moment to look at the numbers you worked out. How do they look? Less than you expected? More?

More importantly – how do they make you feel?

- Did they surprise you?
- Are they higher or lower than you expected?
- Do they change how you think about work, income or priorities?

If the numbers are higher than you were hoping for, go back to the table above and take another look at each category. Is there anything you could reduce further if you really needed to?

Consider whether any of the expenses are tied to your current lifestyle and wouldn't be needed in the new life you're building. For example, maybe you pay for after-school clubs for the kids because you have to work until 6pm, but you'd really like to work part-time from home. In that case, once you make the shift you won't need to pay for the clubs.

**Remember:** It doesn't matter at all what I would cut out or what your friends or family would do; the purpose of this exercise is to help you think about what *your* priorities really are – what's important to you and what you would be willing to sacrifice or change in order to create your ideal life.

For many people, this exercise creates an important shift. Instead of feeling stuck in a job or lifestyle because of money, you can start to see what's actually needed to **live life your way**.



# What's next?

**Working out your numbers is a good first step. It gives you options.**

- Maybe you need less income than you thought
- Maybe you could have more time to work on other projects
- Maybe different types of work could cover your essential needs
- Maybe you have more flexibility than you'd assumed

The next step is figuring out what you want your life to look like – and what changes will help you move in that direction.

If you'd like to talk this through with someone, I offer one-to-one coaching conversations designed to help you:

- Clarify what you really want from life
- Challenge assumptions that might be holding you back
- Identify practical next steps you can take

You can find out more or book a session at [lifelifyourway.world/coaching/](https://lifelifyourway.world/coaching/)

***You don't have to change everything overnight, but understanding what you actually need is a powerful place to start.***

