

The Financial Harmony Podcast

Episode 8

3 Modern-day Strategies to Pay Yourself First

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Hello and welcome to another episode of the Financial Harmony Podcast. This is episode number 8: which is 3 modern day strategies to implement the pay yourself first principle.

Before we dive in, I want to jump back to the 1920s, when George Clason, a US entrepreneur, wrote many parables, which were set over 4,000 years ago in ancient Babylon, Those parables were on how to achieve financial success and build wealth. In 1926, his most famous parables were bundled together in a book, called *The Richest Man in Babylon* and banks, insurance companies and investment firms started to distribute his writings, in a way to help educate people with regards to their personal finance.

Almost a century later, this book is still in print and it is one of the most famous and most cited books on personal finance. What an achievement to write a book on a topic which almost 100 years later is still a huge inspiration to so many people and which is set over 4,000 years ago! If you haven't read the book, I can totally recommend it, it is an easy read as it's a lot of short stories and it has some very powerful yet simple lessons in it.

One of the most famous concepts George Clason writes about in his book is the "pay yourself first" principle, which since become a huge driving force in many personal finance strategies.

Today I want to talk about paying yourself first, by looking at the original concept and at how this can be applied in your own life and then I want to go into another 3 strategies that go beyond the traditional meaning to adapt it to our current life. As although the concept and the book are still super relevant and applicable, I'd like to give these a little twist to make this principle even more relevant to our present times and of course in particular to the idea of financial harmony. As always, making money is just a means to an end and to me what is even more important than making money, is finding happiness in our day to day lives by making wise decisions on how to spend our money, time and energy today as well as in our future. So if we make lots of money but don't manage to translate that into a happier, more fulfilling life, then we haven't achieved the bigger goal that should be the driving force behind our efforts, strategies and goals.



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ingenataliehol.com/episode8

The pay yourself first concept, if applied in the right way, can act as a fabulous roadmap to both long-term as well as short-term goal setting and happiness and that is what I am going to go into today. I hope you are excited to find out how this brilliant concept, that was first put into words almost a century ago, can help you achieve great things and build wealth, financial security and most importantly harmony in your life.

Before I continue, I just want to let you know that everything I mention in this episode, so the pay yourself first principle and also all the strategies to apply this in both a purely financial way as well as how to use it to find financial harmony, I've put them all together in a cheat sheet that you can find in the show notes of this episode, on ingenataliehol.com/episode8. So you don't need to take notes or try and remember everything right now, as it's all there in this free document you can download.

Let's start with having a closer look at what Clason meant when he talked about paying yourself first. To do so, I'd like you to think about the following questions about how you approach your monthly spending. When you get your paycheck, how do you approach allocating that money for specific purposes? Do you first decide how much you will need to pay out over the next few weeks for the essentials? Then the slightly less essential but still important ones? With the money left over, do you then do the fun stuff that comes up? And is it then after all of that, so maybe almost the end of the month, when you check how much is left over and how much you can set aside for savings? It doesn't have to be the actual end of the month even when you do this, maybe you do this a little earlier, but the point is that the lower down the list you put your savings, the less priority it has not only in your mind but also your actions. And we all know that if something is given less priority, it doesn't get done as well as if it were at the top of our list. The things that we do first are the things that will continue to flourish or get maintained, whereas what we give less priority and attention to, will diminish. What if you turned this around? Money that you save each month is principally an investment in your future self. Savings can be used for many things, but one of the most important reasons to save is to make sure that you have money available in the future, such as when you no longer have an income, so think retirement especially but also in the event of the loss of your job, or when you have greater financial needs, think about an emergency or an unexpected expense.

When you put savings lower down the list of your priorities, you are essentially saying to your future self, and ultimately that comes back to your current self: you aren't important enough to be prioritised. That is a big statement to make. And this might be a very powerful realization, but what could be more important to do than to give yourself permission to provide for yourself. Not just in your day to day life, but in all days to come. Of course you need to pay your monthly bills but you also need to make sure that you can still do so in the future.

So what if the first thing you did when you get your paycheck, is set aside money for you? Instead of waiting until after you've paid all your bills and had your monthly fun. And this really means doing it as the very first thing. If it isn't the first thing that you do after receiving your paycheck,



this can get forgotten about or you might still cut down your savings amount in a particular month if you're short of cash at the end of the month. If you don't save first, it also means that you accept that every month your savings contribution can vary. You would never say that to your bank when you pay your mortgage, or to your landlady or landlord when you need to pay the rent. Clearly you can put these payments as important enough to make sure you always have the needed amount available. Why wouldn't you do that with yourself? Always make sure you put aside a set amount of money every single month for you.

Can you see that if you did this as the very first thing, you always make sure it gets done? And even more importantly, you say to yourself that you matter. That your future you deserves the financial security and resources that you will need. Don't expect others, or the state to help you out. You can do this, and you should do this if you respect and value yourself. By flipping things around, you make sure you invest in your future self every single time. You prioritise you over other people to pay money to and in that way you establish a secure financial future.

That is the core of the pay yourself first principle that George Clason described in his book, *The Richest Man in Babylon*, almost 100 years ago.

Now of course, as I said, apart from paying your future self, you still need to be able to pay for your regular expenses every month right now. That includes your essential payments that you can't default on, but also your discretionary expenses, these are the fun things that you spend your money on. Like going for a meal or a visit to the zoo or the cinema for example. But paying yourself first doesn't mean you need to set aside hundreds of dollars or euros every time. It's okay to start small and then with time increase your contributions from there on.

So what are some of the things that you can put that money towards, in order to pay yourself first? Let's start with the more traditional ones, and when I say traditional I mean the more common ones, which despite my labeling them as traditional are absolutely still incredibly important and valuable in anybody's personal finance strategy. Many of these Clason himself would have recommended and if you don't have some of these set up already, then try and see if you can start implementing some of these in the next few weeks as they are still definitely highly recommendable:

- The most obvious one is probably a savings account or several savings accounts. You can have both short term and long term saving objectives, that is fine, as any savings contributions you make, means that you redirect your current money to a future need you might have.
- Another one really important is a retirement account. This is probably the most poignant one when you think about paying yourself first, as when you're retired you have no income, but you'll still need to pay bills. So unless you make sure you have some type of income still coming in (which can be through passive income streams for example), a retirement fund that you can draw from or have savings you can fall back on, those bills won't get paid. This is the most long-term savings you can think of and so important to look into well. Even if you live in a country with social security or a pension provided by the state, I recommend that you look



at a private retirement plan as well.

- Another one that's maybe less obvious in this list is investing in the right type of insurance policies for you and your family. This is so important, and although it isn't really money you set aside in order for it to grow and fall back on if needed, apart from maybe a permanent life insurance, it is of course a way to make sure you and your family are protected and have some resources or support available if something terrible happened.
- Another way to pay yourself first is by paying off your debts, to get rid of the ballast that you carry with you and also to eliminate the interest that you pay each month and that eats into your finances every single time.
- Then of course there is private investing that you can do to build up a nice portfolio for future use as a way to invest in yourself.

As you can see, there are quite a few things you can do to pay yourself first in a more traditional way, which once again are super valuable ways to apply this principle. If you feel a little overwhelmed, don't worry as you don't need to do all of this all at once. Start with one, then expand from there.

The best thing you can do to apply this principle is by setting up an automatic payment at the start of the month or just after you receive your paycheck, into your savings account or into whatever strategy you choose to begin with to pay yourself first. By having that automatic payment set up, you make sure that you keep up this practice and don't find excuses not to make this investment. And every single month you reinforce the concept that your future self matters. What can be more important than that?

Okay so that was the pay yourself first in a nutshell. Now let's have a look at how you can apply this very same principle in another few ways and I call these slightly more modern as instead of focusing on just the financial side, which is at the centre of the pay yourself first principle including all the different examples we just saw, which were all to do with pure finances, I of course want to apply this more specifically to financial harmony. And that isn't just about money, but goes much beyond it and into what money can create for you.

So how can you use the pay yourself first principle to find more joy, to find financial freedom and create energy? I want to go into three different strategies that you can apply and I'll work my way back from long-term strategies to the more short-term ones.

The first one is one that I have spoken about a few times on this podcast already because it is such an important one to contribute to our sense of purpose and fulfillment. This first strategy is to invest in your dream. This dream is the thing that you would love to accomplish and do, more than anything in the world. This can be to move to the other side of the country or the world even, start your own business, buy your dream house... This list can really go on forever.

If you listened to last week's episode, I spoke all about my dream, but if you haven't listened to



that episode yet, here's a short and sweet version of it: I want to buy a house with a big garden, for my 3 rescue dogs to run around in all day. Then I want to make what is currently this side project based around personal finance and financial harmony into a full fledged full time business, which obviously I'd run from my own home office in that house with the big garden. That's mine just to give you an idea of what a dream might look like, yours can be completely different of course.

Now, as I've said, investing in your future self from a purely financial sense, such as the savings and the retirement provision, are absolutely essential and I highly recommended you do. But that isn't going to give you the satisfaction, energy and joy that working towards that dream can give you. So apart from setting aside money for your future self, one of the best things to pay yourself first is to make your dream a priority and allow yourself to pursue what you want more than anything else. You are important, your dreams are important and the fulfilment and positivity you can get from having that one big purpose in your life that you work towards, needs to be given priority if you ever want to achieve this.

If you don't put this high up on your priority list, then I doubt you'll set aside enough money, or time to start making your dream come true. Most dreams require a few things before they can become a reality. Money is a common one. But there's also time, energy and planning you need to invest in any project if you really want to move it forward. Here's the thing: if you start making sure you set aside the money every single month that you need for this dream, then I can guarantee that you'll end up finding the time and energy that you need for this too. After all, when you start to prioritize this dream, by having an automatic transfer set up at the start of the month towards your dream fund, you'll eventually start to believe that your dream is important enough to invest time into as well. Especially when you have money accumulating in an account that will need guidance from you to do what you want it to do.

Will it take hard work and energy and determination? You bet! But what is more rewarding and stimulating than knowing your dream is being built by you one step at a time? But you need to start somewhere to begin that journey. And the best thing to do so is by beginning to build the resources that you need, as otherwise all it will only ever be just a dream.

Let's move on to another one of my favourites when it comes to the practical implementation of today's topic. My second suggestion to pay yourself first is to invest in your individual capital. Here's what that means: your individual capital is made up of the unique skills, talents, creativity, wisdom, and experience that you possess. You use your individual capital to create, perform, produce, guide others, or otherwise contribute to the world.

You are unique. Nobody else has the same experience, analytical skills, opinion, emotions etc. as you. And you should celebrate and foster this uniqueness. This is how you build your CV, show your talents, or create your business. And just as importantly, this keeps you interested and engaged in what you're doing. And once again, this isn't only or necessarily about making more money. This is about finding passion, pursuing new projects, and engaging with new people or



interest areas.

Do you know that feeling when you are engaging with something that makes you all psyched up, motivated, it makes you feel you're in a flow, when you feel this new energy and you almost feel regenerated? Aren't those moments of happiness? When you feel true bliss for doing something you that love. That's what I am talking about here.

Investing in your individual capital means once again that you take yourself seriously and know that you are important to keep developing. You do this by investing in those talents, that knowledge and your skills.

How? Well there are a gazillion different things that you can do, but here are some of the most important ones: First of all, get clear on your passions, your ideas, your strengths and maybe also the areas you need to develop on. This might be related to your job or your big dream, but it doesn't need to be. What would you love to learn about more, engage with, become better at? These can be several different things. Or indeed many different things. I love learning new things, and this might be the most exciting thing about being an entrepreneur: I need to learn new things all the time! My list of things I still want to learn is endless, but maybe you just have two or three different ideas, that is absolutely fine.

Once you've got that clear, the next step is finding a way to learn what you need and want to learn. This can be through podcasts. It doesn't just need to be learning, it can be inspiration, motivation, or accountability that you're looking for. Find it! Then books are another great way to learn or become inspired to start something new. There are online classes you can take, mastermind groups you can join or create. Presential courses. Webinars you can attend. Conferences. Coaching sessions. So many things. All at different price points, personalized contact and projected outcome. So find a few options that would address your needs and interests.

Lastly, make sure to set aside the resources to live up to your intentions. Once you know how you'd like to invest in your individual capital, you need to find the time and potentially the money to make it happen. That means first of all deciding how much money you can put aside each month towards your individual capital budget. Again you now know that you need to do this at the start of the month, otherwise it won't happen. Remember this is the basic principle of paying yourself first. So set up a new individual capital, fee-free bank account, or earmark the money in your current account if you can, or take out cash and put it in a glass jar, or an envelope that is specifically for this goal. And then: find the time every single week to invest in you. Create time in your calendar to listen to your favourite podcasts, read that new book or attend the online course that you signed up to. If you don't schedule it, it won't happen.

Depending on what forms you choose to invest in your individual capital, the frequency can vary. If you principally focus on podcasts, this can of course happen several times a week. If you are looking to acquire new skills or knowledge through books, then make sure to save up enough to



buy a new book every two months for example. Online courses are generally a little more expensive and might require a longer term savings strategy and implementation. So all of this of course depends on the funds and the time that you have available and are willing to invest at this stage. But as there are so many options, from free to thousands of dollars or euros and from 10 minute podcasts to full on year-long courses or coaching programmes, I am convinced there is something that can suit your needs, interest, budget and availability.

By making this another priority in your monthly budget and calendar, you not only satisfy your passion or rekindle an interest, it also means you keep developing and learning, which means you stay ahead of the game. What better way to pay yourself first?

And that takes us to the third and last way I want to talk about with regards to paying yourself first. Working toward new goals, pursuing a dream or improving your personal finances, they all sound very grand and dramatic, but they also require hard work, dedication, perseverance, commitment, getting back up after you fall down or make a mistake. You need to be able to keep your eyes on the prize even when the going gets tough, or when you lack motivation and feel like giving up.

If you've ever tried to stick to new years resolutions, I am sure you know what I am talking about. But when we set these goals, or define our dream we usually do that in a moment of strength. When we feel inspired, powerful, motivated. At such a time we believe we'll do it this time, we feel like a winner. Unfortunately, we won't always feel that. There will be times when we lack that motivation, or don't feel passionate, or we just feel like a complete failure. This is going to happen, guaranteed. That's just part of it. But we never plan for it, we don't come up with a contingency plan, or think about how to keep our motivation up.

So that's my third way to pay yourself first: make sure you keep at it, and don't give up. Keep investing in you, your dream, your talents, your passions, your future and ultimately your happiness. The best way to do this that I have found? Create your own reward system. Just for you. Decide how you can reward yourself for your many achievements. Link them to your different goals. And then once every so often, indulge in your prize.

This can be a beauty treatment, a new novel you get to buy, new shoes, time for a walk along the beach with just you, the fresh air and the sound of the waves, a fresh bouquet of flowers. I am sure you know best what really lifts you up, makes you feel refreshed and motivated.

And once again, to do this, you need to set aside the time and the money. So another bucket in your bank account, an entry in your budget, or another glass jar for this. And of course the time. And when you get to that point that you get to go and spend this money and time on you, you should enjoy the whole process and really see every single thing of it as an investment in you. From booking that spa visit, to arranging a babysitter, driving there and of course most of all, the moment at the spa. And you need to let yourself be in the moment, enjoy and tell yourself that you have earned it. For all the hard work, time, energy, blood and tears that you have poured into



things. Even if there wasn't any blood and tears, just the fact that you're still at it and not giving up. That is worth celebrating, that is worth rewarding and that is worth enjoying now and again.

Now as a bonus tip on this, I recommend that you write down when and what you're going to do. You'll see that it will become even more exciting. The further ahead you plan this in, the more excitement you'll feel and the more dedicated I guarantee you will be to stick to your plan, or get back on your feet when you get knocked down. And don't we all get knocked down now and again...

So those were my three current day implementations of the paying yourself first principle. Here's a quick recap:

- The first one was to pursue your dream.
- The second one was to invest in your personal capital. By learning new skills, attending courses or webinars or listening to podcasts on the topics you want to become better or more knowledgeable about.
- The third way to pay yourself first, is by setting up specific times when you reward yourself, celebrate your accomplishments, your failures, your successes, your setbacks, your thoughts, your ideas, your energy, your motivation, your demotivation, and just being you.

In order to implement these three strategies, you need to consistently set aside time and money at the beginning of the month or at the beginning of your pay cycle, so that you don't default on this. Only then can you make sure you keep you a priority.

So how's that? I really hope that you will implement some of these ideas into your life in the next few weeks, as they will make you feel important, motivated, loved, inspired and balanced.

So as we're getting to the end of this episode, I'd just like to remind you that I've put together a cheat sheet with all the important tips from this episode, if you'd like to review them in your own time again or use them to set up your strategy to pay yourself first. You can find this free download on ingenataliehol.com/episode8.

So that was it, the end of this episode of the Financial Harmony Podcast with 3 modern day strategies to implement the pay yourself first principle. I hope you enjoyed it, make sure to subscribe and I'll see you next time.

