

Stefanie O'Connell Interview Summary

Stefanie O'Connell is a financial expert, blogger at stefanieoconnell.com, and author of the finance book The Broke and Beautiful Life. Stefanie, a former musical theater actress turned financial guru, has developed tons of strategies for budgeting with inconsistent income, and she's turned her money management skills in a full time career that allows her to live out her own brand of financial independence.

She works wherever and whenever, and has finally cracked the code to breaking broke. From actress to self-employed, she has lived her entire life without a salaried or consistent income stream, and she's managed to not only budget for that income, but also flourish.

Where to start:

- **Track your expenditures & earnings:** you have to find a reference point. Down to the dollar and not just an educated guess. Track your spending to know exactly what is coming in and going out each month. This gives you an idea of what your cost of living is.
 - Use spreadsheets to track each expense or use an app like Mint or Level Money for convenient automated tracking of every purchase
- **Ground yourself in those numbers:** Analyze what is out of alignment purchase wise. Do you need to cut living expenses?

Step 1

Use last month's income: Use what you made last month and budget for that number/range for the upcoming month. This gives you the most accurate range to start with.

Step 2

Find Your Make or Break Number

This is a step Stefanie advocates on her own blog. This is the absolute "monthly minimum, no frills cost of running your life."

Calculate it:

- Find **bare bones budget:** This number includes all living necessities (rent, utilities, food, insurance & anything critical to normal living/working) Excludes beauty, entertainment, personal purchases, dinners out etc Include irregular expenses such a quarterly insurance payments etc (find monthly value for those payments and budget that in)

- **Add Buffer Zone:** Life is always more expensive than anticipated. Add 10-20% of bare bones budget.
- **Determine Financial Goals:** Don't choose between paying off debt and paying rent. Include financial goals like debt repayments, retirement contributions, or emergency fund savings in your make or break number.

Bare bones budget + 10-20% Buffer Zone + Cumulative Financial Goals contributions = Make or Break Number

Step 3: What's left?

Subtract Make or Break from last month's income. This is the amount left over that can be split between discretionary purchases (entertainment, social, personal) or more financial goals for the upcoming month you are budgeting for.

Step 4: Find Structure with Zero Sum Budgeting

Finding a budget that works for both your lifestyle and inconsistent income can be trial and error. Be flexible and cautious and also be open to making adjustments. Having flexibility in categories can be helpful.

However, if you need structure in your budget, try Zero Sum Budgeting.

Instead of just splitting the left over income after subtracting your make or break number between discretionary and financial categories, assign a dollar value to every single category. This accounts for every dollar you make. Write down each subcategory that money will be allocated towards (make or break subcategories: rent, insurance, utilities, food, etc), (discretionary subcategories: entertainment, dinners out, social events, beauty, fitness, health, home, etc), (extra financial goals: emergency fund, down payment, savings, investments, debt).

Example: Rent: \$1000, Food: \$300, Insurance: \$100, Entertainment: \$75, etc

With Zero Sum Budgeting you never wonder if you can afford something because you've already allocated a specific amount. Hit that amount in a category and you're done with it for the month.

What if you want or need more income to cover your make or break number?

Be a hustler.

Diversify your income streams. If you start budgeting and realize your budget is too tight you either need to cut your living expenses and thin out that make or break number or you need to get a side hustle to bring in more monthly income.

Check out renting out your apartment on air bnb, offer your services, drive for uber, walk dogs, sell things online, etc.

RECAP: Be adaptable, track your expenses, find that make or break number, split the remaining income, and be on the look-out for ways to diversify income.

Resources:

<https://stefanieoconnell.com/meet-stefanie/>

<https://www.mint.com/>

<https://www.levelmoney.com/>

<https://www.personalcapital.com/>