



# PAYCHECK-TO-PAYCHECK

Breaking the Cycle with Jordan Awoye

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### JORDAN AWOYE

MANAGING PARTNER, AWOYE CAPITAL

Jordan's passion is to help change the world through **financial literacy & financial freedom**. After years of learning from the brightest minds in the industry, Jordan struck out on his own and founded Awoye Capital, a registered investment advisory firm focused on comprehensive financial and business planning for entrepreneurs.



When he first joined the financial industry with no prior experience or connections, Jordan saw with his own eyes how much a bit of financial literacy, advice, and planning can lead to freedom. Through his own personal journey as an entrepreneur and business owner, Jordan offers a unique perspective that very few financial advisors in the industry bring.

Besides being a Retirement Planning Specialist from the Wharton School of Business, Jordan also has his Certified Performance Business Advisor designation. He is a graduate of Eastern New Mexico University, where he earned a degree in Biology with a Pre-Med emphasis. Jordan also received accolades there for his academic accomplishments, graduating with honors and receiving a letter from the New York State Senate for his scholastic performance, achieving these milestones while playing basketball on a full-scholarship.

To educate and empower as many people as possible, Jordan speaks across the country in multiple capacities, such as keynote speaker for universities and on panels of financial experts. Jordan is always looking for more ways to help and empower people.

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

Hello and welcome to **Paycheck-to-Paycheck: Breaking the Cycle**.

If you find yourself living paycheck to paycheck, you're stuck in a cycle that feels impossible to break out of, and I know the difficulty and stress that brings.

Living paycheck to paycheck can be a lonely, difficult, stressful situation to be in. You might feel helpless and discouraged, or feel like nobody understands your situation. A lot of the time it feels taboo to talk about your financial struggles, and that can feel really isolating.

But this program is a safe space to talk about and learn about financial struggle, so I invite you to open your mind to honest self-reflection and confronting your financial struggles. My goal is to help you break out of the paycheck-to-paycheck cycle with knowledge, empowerment and real actionable advice. With your mind open to change, you'll be more able to act on the advice you'll learn in this program, and make a meaningful difference in your financial situation.

Thank you for taking this journey with me toward gaining more financial literacy and stability – let's get started!

– **Jordan Awoye**

### WHAT DOES LIVING “PAYCHECK-TO-PAYCHECK” MEAN?

This term generally means that you spend all of your paycheck before or by the time you get your next paycheck. As a result, you spend all of your income and are not saving for financial emergencies or the future.

Here are a few examples that may mean you're living paycheck-to-paycheck:

- You constantly think and worry about money
- Money is often a source of arguments
- Before you buy something, you make sure you have enough to afford it
- Your credit card balance keeps increasing every month, even though you're paying off as much as you can
- Paying bills becomes a complicated equation of partial and minimum payments in order to save enough for rent or mortgage

### CAUSES OF FINANCIAL STRESS

**Inflation outpacing wage growth:** In certain sectors of the economy, inflation has grown much faster than wages. In the US that's housing and healthcare to a large extent. In Europe and Asia, income tax is generally higher and the cost of housing is also high in most metro areas.

**Lifestyle creep:** Things that used to be considered luxuries start to feel like necessities over the course of generations, or even within your own life as your income grows and you get older.

**Lack of financial literacy:** Most of us don't really get much of a formal education about personal finance in high school the way we learn math and history. We generally figure it out for ourselves once we realize we're falling behind.

REFLECTION QUESTIONS

1. How much do you feel **in control** of your personal finances?

Circle one: 1 2 3 4 5 6 7 8 9 10

Describe your feelings: .....

.....

2. How much do you **understand** your personal finances?

Circle one: 1 2 3 4 5 6 7 8 9 10

Describe your feelings: .....

.....

3. When you think about your financial struggles, what feels like the **main cause**?

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.....

.....

.....

4. Who do you **talk** to about your struggles and goals?

.....

.....

## TIPPING THE SPENDING SCALES – EXERCISE

### THE 80/20 RULE

The 80/20 rule is one of the simplest budgeting rules of thumb, and that's why it's particularly useful when you're already struggling and overwhelmed.

It couldn't be simpler:

- **Spend no more than 80%** of your take-home pay on household needs each month
- **Save 20%** of your take-home pay each month, and use it to pay off debt, or save for future goals.

TAKE-HOME PAY: .....

**80 / 20**

**Multiply by 0.8**

*to get 80% of your take-home pay*

*This is your 80% monthly*

**SPENDING BUDGET:**

.....

**Multiply by 0.2**

*to get 20% of your take-home pay*

*This is your 20% monthly*

**SAVINGS:**

.....

### HOW TO GET TO 80/20

**Reduce spending:** Everyone's financial and life situation is unique, so there isn't one right answer – but consider these ideas and reflect on ways you can reduce your spending down to 80% of your take-home pay:

- Downsize your housing costs by moving to a smaller home or a less expensive area – *However, this is a big life change, so consider carefully.*
- Freeze your spending on home improvement until you're out of the paycheck-to-paycheck cycle.
- Drive less by carpooling or taking public transit.
- Freeze spending on your car except for necessary maintenance.
- Set yourself a food-spending challenge, such as:

*Cooking your own simple meals 5 nights a week for a month*

*Forego one expensive grocery item like red meat or alcohol for a month*

- Leave online shopping items in your cart for a few days before you buy, to help you gain perspective on how much you really need them.

**Increase income:** In this day and age it's easy to monetize hobbies and passions – whether using an online platform or your local network. Think about what you're really good at and love doing in your “free time.” Would others with less time or skill in that area be willing to pay a small fee for your services?

**Invest in yourself:** Every time there's an opening above you in your organization, your company has a chance to hire an outside unknown or promote someone from within. If you've shown the initiative and commitment to grow your skills and prepare for that role – maybe with an online training course, or by taking the initiative to learn new skills from colleagues – you could be a shoe-in versus an unknown.

## DIGGING OUT OF DEBT

You can think of revolving debt as **negative savings**. For that reason, you should use your 20% Savings bucket to focus on paying down your revolving debt. Here are two well-tested methods for sustainably addressing debt:

### THE AVALANCHE METHOD

*Like an avalanche, this method starts big and tapers off.*

#### Method:

1. List out your balances in order from the **highest interest rate** to the **lowest interest rate**.
2. Each month, continue making the minimum payments towards all of your cards to avoid fees and negatively affecting your credit score.
3. Using whatever's left of your 20% Savings bucket, pay off the card with the **highest interest first**.

#### Example:

	<i>Balance</i>	<i>Interest</i>
Card A	\$2500	<b>18% APR</b>
Card B	\$2500	9% APR

#### Benefit:

By paying off the card with the highest interest first, you're saving the most in interest payments.

### THE SNOWBALL METHOD

*Like a snowball, this method starts small and builds to get bigger.*

#### Method:

1. List out your balances in order from the **smallest balance** to the **largest balance**.
2. Each month, continue making the minimum payments towards all of your cards to avoid fees and negatively affecting your credit score.
3. Using whatever's left of your 20% Savings bucket, pay off the card with the **smallest balance first**.

#### Example:

	<i>Balance</i>	<i>Interest</i>
Card B	<b>\$1000</b>	9% APR
Card A	\$4000	18% APR

#### Benefit:

The psychological benefit of hitting a big milestone earlier in your debt reduction efforts can be a big motivator that will help you keep going.

### CREATE A DEBT PAYDOWN STRATEGY

Choose one of the paydown methods from the previous page, and list out your credit cards, along with their balances and interest rates, in order according to your method.

#### SNOWBALL METHOD

List lowest balance first

#### AVALANCHE METHOD

List highest interest first

Payoff Order	Card Name	Balance	Interest Rate
1			
2			
3			
4			
5			

### THINKING LONG-TERM

When you reach the **HUGE** milestone of being free of revolving debt, and you're in control of your 80/20, it's time to shift your focus to long term savings with that 20%.

**But what kind of savings?** Is it all meant to go straight into a retirement account? Should you reward yourself by splurging on something? Can you afford to upgrade in an area of your life you sacrificed to get to where you are?

Your savings goals should be guided by your life goals and values. On the next page are the reflection questions from the video, so you can write down your answers and help determine your savings goal.

*But first...*

### EMERGENCY FUNDS

Even if it's not your top goal, everyone should have an emergency fund or safety net. The reality is that **emergencies happen to everyone.**

If you put all of your savings into investments that aren't accessible, you could hit an emergency and fall into debt again, even though you actually have the savings to avoid it.

A good rule of thumb is to build an emergency fund with **3 to 6 months** worth of your normal spending costs. This is because if you lose your job, that's often the amount of time it takes to find a new one, and it gives you plenty of cushion for unexpected emergencies like a hospital bill, car repair, or home repair.

## REFLECT ON GOALS

Think about the following long term savings goals, and prioritize them according to your own life goals and values. You can also cross out any that are not goals for you, or add your own in the blank rows.

List your priority order here

**Priority**      **Goal**

	Build a financial safety net for peace of mind
	Save enough to easily manage unexpected emergency costs
	Address emotional spending habits that will help you be your best self
	Save to purchase a home
	Help your children (or yourself) pay for college
	Save for a career change or to start a business
	Save a secure nest egg for your retirement
	Build a legacy to leave behind to your loved ones

### “MONEY” & EMOTIONS

It's natural to have lots of complex feelings about money. When you think about money and your relationship to it, what emotions do you feel?

When you acknowledge and name your emotions, it gives you more control over them. Just like positive and negative emotions that are not tied to money, recognizing emotions related to money gives you the power to observe them more objectively. You can more easily decide whether they're warranted and serve you well, or whether they're unfounded and should be put aside.

### REFLECTION QUESTIONS

1. When you think about money, what emotions do you feel?

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2. What effect does the amount of money you earn have on your confidence or your sense of accomplishment?

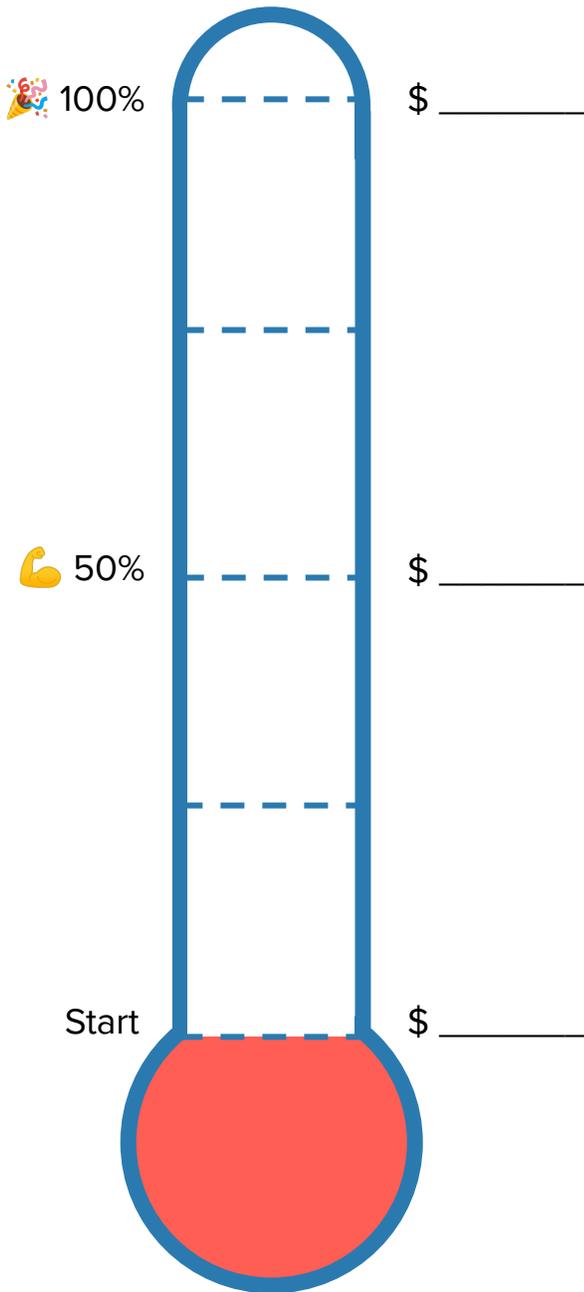
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### BUILDING HEALTHY FINANCE HABITS

Managing your finances is a habit just like any other. At first you have to consciously practice financial habits, but they can become just as natural as any other habit. Find ways to build in rewards or make you crave saving, to help you stick to your new financial habits until they become second-nature.

### SAVINGS THERMOMETER

You may have seen this kind of thermometer used for fundraising goals. Use this template to **create your own** for one of your big savings goals from the previous lesson!



#### SAVINGS GOAL

*What you want to save for*

.....

#### KEY MILESTONES

*Steps along the way*

*Strategies to save*

.....

.....

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.....

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## FINAL NOTE

### **Well done for completing this series!**

I hope you've enjoyed this series and have been able to take action on some of the key steps we covered over the past 5 days.

I also hope the strategies I shared with you will be ones that you continue to use long into the future, even after you've successfully broken free from the paycheck-to-paycheck cycle.

Finally, remember that financial security isn't a quick fix or a get-rich-quick secret. It's a long road of baby steps, but when you walk it consistently, you can get there.

All the best on your journey. I look forward to working with you again soon!

**– Jordan**

