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To calculate your perfect income goal, you need to answer a few questions...

## **1. What are your monthly personal expenses?**

This includes expenses like...

- Groceries
- Internet
- Cell phone
- Student loan
- Rent/mortgage
- Gas/water/electricity bill
- Car fuel
- Homeowner insurance
- Disability insurance
- Life insurance
- Health insurance
- Home warranty

Type your answer here...

## **2. How much money do you spend per month on non-necessities?**

This would include things like:

- Takeout coffee
- Gym
- Clothing
- Dates
- Home decor
- Day trips

- Hair/nail salon
- Sports games
- Netflix
- Magazine subscriptions
- Concerts
- Etc

Type your answer here...

### 3. How much money do you like to save per month?

This includes saving for things like...

- Pension
- General savings
- Emergencies

I want to save...

### 4. Is there anything special that you want to start saving for each month? How much do you need to save for this each month?

This would include things like:

- Buying a house
- Traveling the world
- Getting married

Type your answer here...

**5. Now add it all up and multiply it by 12 to get your yearly total.**

Yearly Total:

Now we need to consider your *yearly* expenses and add that to the total you just worked out.

**6. How much money do you spend on vacations each year?**

This would include things like:

- Flights
- Accomodation
- Travel activities
- Travel insurance
- Spending money

Type your answer here...

**7. What are your *yearly* personal expenses and how much do they cost in total?**

Yearly personal expenses are the ones you pay for once a year. The sneaky ones you may forget!

Type your answer here...

**8. Now add your answers for question 6 & 7!**

Total:

**9. Add your answers for question 5 & 8 and enter your total below:**

Total:

This is your *take home* income goal.

You need to earn more than this to actually take this amount home because you have to take business expenses and taxes into consideration.

**10. Double your answer for question 9 and enter your new total below:**

Total:

**This is your *realistic income goal!***

Why did we double your take-home income goal?

We're using the [Profit First](#) method by Mike Michalowicz.

His Profit First Method splits your income into these percentages:

50%: Take-home pay

30%: Business expenses

20%: Tax

(It's actually a little more complex than that but this is my simplified take on the Profit First percentages!)

For example:

If you worked out that you need to take home \$50k each year and doubled that to \$100k, here's roughly where that money would go:

50%: \$50,000 take-home income

30%: \$30,000 business expenses

20% \$20,000 saved for taxes

If you spend less than 30% of your total income per year on business expenses and give yourself more take-home pay, that's great! You won't need to double your take home income goal. You'll be able to earn a bit less and still live the lifestyle you enjoy.

This is a simple take on the Profit First method to help you understand why you had to double your original income goal.

Depending on which country you're from and what business entity you are (i.e. sole trader, limited company etc), you may pay less or more than 20% for taxes. Consult with your accountant about your new income goal to learn how much to save for taxes.

**To create your *stretch income goal*, try adding \$20,000 to \$40,000 to your realistic income goal!**

Now that you have your income goals, continue watching the [Organize & Automate](#) lesson to learn how to create your income plan.