Finance for Life™

Achieving Financial Success™

Finance for Life. Wealth for Living.™

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8 steps TO ACHIEVE FINANCIAL SECURITY

There are eight tried and proven steps to help you achieve financial success.

1. Envision financial independence. Financially successful people have these things in common: they follow their dreams, believe they can serve others while achieving financial independence, and they move in that direction.

2. Establish a good income. You create profit for an employer or your own business when you love what you do—and do it well—-while exercising your natural talents. Thus, you may deserve more income. Building on your reputation, opportunities may arise leading to increased job security.

3. Create a financial plan. With an increased income, you will need to manage your additional cash flow. Take responsibility by creating a written financial plan, setting realizable goals in these areas:

- create a budget to help you live within your means
- save for a possible emergency in the short term
- reduce your debt and taxes
- save a down payment for a home
- when you have children, save for their education
- invest for your retirement

4. Involve other stakeholders in your financial decisions. If married, your spouse is an important ally in developing and acting on joint financial strategies. Likewise, if you own a business, talk to your partners about leaseholds, business plans, and funding buy-sell agreements.

5. Implement your financial plan. Now that you have a plan, act on it. No matter what your station in life, your future financial success will be dependent on these two disciplines: first, consciously choose to live within your means; second, implement an investment strategy for retirement.

6. Acknowledge that no substantial financial reward can be achieved without risk. When you purchase mutual funds, expect some risk because you may eventually be rewarded when the fund succeeds. If you start a business, remember that many entrepreneurs

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became successful only after taking huge risks, such as mortgaging their homes to follow their dream.

7. Minimize dependence on the government and your employer. Corporate downsizing and merging have created employment uncertainty—-you cannot, with absolute assurance, depend on "the company". Governments are cutting social spending. CPP/QPP may decrease future pension cheques due to the rising number of retiring baby boomers. Therefore, ensure independence with your own investments.

8. Utilize the expertise of professionals. No one has all the wisdom necessary to create financial security. When necessary, seek out and delegate tasks to these professionals: your career/business mentors, financial advisor, insurance advisors, a lawyer who can advise on your estate, an accountant to minimize taxes, a real estate agent when buying a home, and lenders who can help you save interest on payments. Educational advisory resources such as the Internet, newsletters, or books are indirect sources of professional wisdom.

What are the warning signs of OVER-INDEBTEDNESS?

Too much debt can threaten your future and destroy your peace of mind. Here are five warning signs to watch for:

1. You are spending more than 20% of your aftertax earnings on debt.

Total up all you owe, excluding your mortgage, e.g. student loans, car payments, and credit card bills. Now total up how much of your aftertax income is dedicated to servicing this debt.

2. You are paying for daily essentials with credit instead of cash.

Consequently, you are skating close to the credit limits on your cards. Credit cards charge notoriously high interest rates increasing (especially if that interest is compounding) your actual gross cost of goods purchased.

3. You are deferring important expenditures.

You may need maintenance work (on your car, your home, your teeth) as you struggle to get by.

4. You seem to spend your pay-cheque the day you get it.

This may be a sign that you're also over-spending, an activity that leads to debt.

5. You are not differentiating between 'good' versus 'bad' debt.

Good debt is money borrowed for productive purposes that hopefully will help generate wealth over time. These include debts that help you acquire an education, build a small business, or purchase real estate. Avoid running up debt for fancy cars, expensive vacations, restaurant meals, and overindulgent gift giving. Bad debt creates a lifestyle not justified by your pay-cheque and will eventually catch up with you.

If you are in serious debt, consult a debt counselor who will arrange a repayment schedule with your creditors.