



When Conventional Advice on Money Won't Do

There's nothing like a financial crisis to bring out the "talking heads" in the media. As markets toss wildly up and down, people are looking for information and answers, so financial stories have jumped out of the business sections and onto the top of the news. But, too many experts by far are skirting the real issues and giving us only the "pat answers" that don't satisfy the real personal concerns of people like you and me.

Recently, a journalist who is covering the financial crisis asked to interview me. In preparation, she gave me this set of questions:

- What would you advise clients to do with investments? Stay the course? Move from stocks into T-bills?
- What about real estate? Is it best to attempt to pay down a mortgage faster than planned?
- How does an individual investor assess the ups and downs of the market?
- What kind of advice would you give a baby boomer? A younger person?

They are typical questions that we think we ought to ask a financial advisor, but they each show the mistakes and misconceptions that the average person thinks to ask when it comes to their money. The problem with these sorts of questions is they set the stage for stress by focusing on things we can't control, like rates of return. Meanwhile, they ignore what we should care about most: our life goals.

It's just not good enough when financial professionals stop short of uncovering the real life goals of their clients, preferring instead to promote the "get out of debt and save a big pile of money for retirement" approach to financial planning. It's like a doctor telling you to go on a diet knowing only your height and your wrist measurement. Without an underlying, values-based goal, you certainly won't put in the effort to achieve it, whether you are striving for a healthy weight or lifelong financial security.

When I teach people about money, I almost always say that my approach is "backwards and upside down" to traditional money teaching. That's because from a values-based perspective, traditional money teachers have our priorities backwards and upside-down. What good is it to talk about the rate of return on your investments when you haven't even discussed when or how you plan to use the money those investments are meant to be creating for you? Why would paying down a mortgage with a 5% rate make more sense than using some of

that equity to fund a 7% investment (and yes, they are available – even in bear markets)?

Ask yourself, why do I want to accumulate a big pile of money? Why do I want to be debt-free? What do I want to do with my life that requires me not to carry any debt? These ideals only make sense if you anticipate living solely on your savings and investments at some point in the future.

If instead, you approach your financial management with the aim of creating ongoing income, building a large nest egg for “someday” becomes less important. In order to create income, you need to know what you’re working with – what financial and non-financial assets do you have? Available credit is a great asset – that’s one reason why I don’t recommend closing down available avenues of credit.

All your money questions should come down to this fundamental: what income do you need today, and what will you need to support your lifestyle when you are not working for a living, aka retired? What is your bigger purpose, and why? When you know the answers to these questions, the strategies you need to accomplish them will start to fall into place.

This article can be reprinted freely online as long as the entire article and this resource box are included.

Money expert Tracy Piercy, CFP is the founder and CEO of MoneyMinding Inc., a wealth building system that turns conventional money wisdom upside-down. MoneyMinding offers a turn-key marketing and coaching program for advisors who understand the importance of empowering their clients with education, and are looking for a system to streamline their client financial education process.

To learn more and receive the free Fast Action Tips & Solutions, visit www.MoneyMinding.com

Copyright © 2000-2008 Tracy Piercy, CFP
Written permission is required for reproduction – Thank you