



Money Management is More than “Get out of Debt and Save Money”

Are we a culture so narrow-minded that we can only see personal finance as a “vertical” process of stacking away our savings like bags of flour during a food crisis? Everywhere you turn a news article lectures us about the importance of saving money because personal debt is out of hand and savings rates are at record lows. Add to that the consistent hounding about how we need to have more put aside for retirement and you have a big brew pot of negativity creating more stress and less consumer confidence.

If I see another article on how to save money by being thrifty, I might scream. I’m not saying don’t be thrifty, or to spend frivolously or foolishly. I’m saying there is so much more to life and money than reducing expectations and counting pennies.

Yes, if you take your tax refund or your US stimulus check and apply it to your debt or your mortgage, you will save potentially thousands of dollars. Yes, if you invest this money over the long-term, you will accumulate a nest egg of some sort.

But please, will someone also consider that there is another strategy worth pursuing as well: the “horizontal” approach, or improving your cash flow month after month?

This approach involves a key concept: income. If you have debt – especially consumer debt, or if you have very little savings, it’s because you are living a lifestyle above your current income levels. If you have more income than expenditures, you free yourself from revolving consumer debt. Similarly, the reason you have savings is so you can replace your income when you’re not working. The key to both of these scenarios is the income. You need income – for today’s lifestyle and for your lifestyle tomorrow. If you have income coming to you without you having to go to work for it, and that income covers your lifestyle expenses, debt becomes a non-issue, as do savings.

For many people, this is a completely foreign concept; yet, it’s what you have savings for, isn’t it? That lump of cash, or investments, or property, or business cash flow is there to provide you with monthly income at some point. You don’t invest in these things just so you can turn around and deplete them or sell them off to support your lifestyle later on.

Certainly turning a savings nest egg into income is one option, and it's true that if you are not making debt payments you will have more current income to put towards accumulating a big nest egg which will turn into future income. However, there are other ways to create income besides from savings, and some of them involve using access to credit to make happen: real-estate rentals and leases for example, or businesses.

The old adage to "get out of debt and save money" is actually impeding the entrepreneurial spirit and personal lifestyle desires that are the motivation to make dreams come true. When you continue to 'try' to sacrifice your personal desires, you tell yourself you are not worthy of your dreams and you stop trying to succeed. When you stop trying to succeed, you lose your motivation, but it doesn't mean the desires go away. You can see those desires reflected in the little splurges that you indulge in through access to credit. What's more, your monthly credit card totals are the keys to how much income your ideal lifestyle requires. They are also clues to the opportunities you have all around you to create that missing income.

For example, if you are a fashion fanatic and like to shop, imagine enjoying your morning coffee while flipping through the newspaper. You see an ad for a huge blow-out sale on designer clothes. Your first reaction would be excitement at the treasures you can find at big discounts. That is, until you realize your four credit cards are close to their limit and your car insurance is due this month, and there's barely anything left in what is supposed to be your savings account.

Off to work you go thinking all day about how and whether or not you should or should not go to the store at the end of the day. You finally reason that you 'should' just to look.

Obviously, you have a personal desire to dress in nice designer clothes and fashion is something you are interested in.

What if you are an average American who has about \$33,000 of consumer debt and annual income of \$32,800 (census stats from card/web.com) and are spending an average of \$328 per month more than you make? (based on the average of stats from BEA May 2008 and FRBSF Feb 2002 and November 2005)

To balance this situation, you first need to create the extra \$328 per month, then double that to turn the non-deductible, consumer debt into something that can work for you, not against you. And finally, you need to triple the missing income and beyond to generate ongoing income and wealth for yourself.

Here's how the 'blow out sale' scenario can work to help you make this happen:

1. You have a very specific financial goal and purpose already written - \$328 per month to start for new clothes and other fashion pleasures.
2. You spend the day wondering if the discounts will be enough and the size selections appropriate for online sales so you can pick up enough

merchandise to re-sell at a high enough profit to provide surplus for yourself as well.

3. As well, you call some of your friends who have called on your fashion sense in the past to offer to take them on a personal bargain shopping spree. You settle on a group rate for this 'personal' shopping service so it's affordable for your new clients.
4. You use the access to money on your credit card to purchase your inventory.
5. Your sales profits are deposited into a separate investment account which is accumulating for re-investment into business training, development of personal shopping training so you can have others working with you, and eventually your own fashion studio and retail chain complete with personal shopping services.

In the end, "getting out of debt and saving money" is what keeps you stuck. It does nothing to close the ever-increasing gap between the people with money and the people who just look like they have money, but are secretly stressed-out trying to figure out how to hold it all together.

When you learn how to earn income by doing what you're already enjoying doing, you provide for yourself and your family, as well as offer a service for others who need and want what you have to offer. You combine your income creation with an overall strategy for cash, credit and investment management and you have a complete financial plan to balance your desires of today with your needs for tomorrow. We have to re-ignite the entrepreneurial spirit and stop sacrificing, stressing and cutting back. We need to stop looking at just the vertical view of personal financial management (get out of debt and save money) and then your personal financial situation will change and one by one we all win.

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