

How to Build, Manage and Maintain Wealth

You've tried making more money. You've tried cutting back on expenses. You've tried borrowing and consolidating. You've tried some sure-fire quick fixes. You've denied the situation and justified it because others are in the same situation or worse. And besides, when the kids move out, go to school, or you give up the house for a condo, there will be more money and you'll have two incomes again!

If you have more debt, not including your mortgage, than you could pay off in three months—yes, three months!! If you have refinanced or consolidated once already and think it's time again, or you have lived in your house longer than five years and your mortgage balance is still the same or larger, you know it's time to do something different. But what? You have already tried everything you can think of and your lifestyle can't squeeze anymore out.

There are no magic bullets, but there are some solid steps you can take to create lasting solutions and to move away from financial struggle, overwhelm, and guilt towards freedom, security and significance.

There are three phases of our financial lives: wealth creation, wealth management and wealth distribution. These are not age driven or dollar driven phases. They are also not mutually exclusive. You don't suddenly say "I'm moving into wealth management now." And just because you're working primarily in wealth creation doesn't mean you ignore the aspects of wealth management and wealth distribution. The foundational principles, habits and knowledge all begin with wealth creation. So when you've tried everything you can think of, or when you feel stuck, you go to these foundational skills and principles—regardless of your age or acquired wealth. The number might have more zeros and the impact might extend beyond simply you and your immediate family—but the principles are the same.

Phase One: Wealth Accumulation

First: You need to enlist the help of a professional. However, that's not as easy as making an appointment at the bank; or arranging a meeting with an investment advisor, insurance agent, accountant or lawyer. Your professional advisor needs to be able to provide you with advice on your entire financial picture and make suggestions based on a variety of reference points (lending, tax, cash flow, investing, business, insurance, etc.). Furthermore, they need to be able to work with you over a period of three to twelve months—perhaps with weekly, semi-monthly or monthly contact as you implement some changes into your finances and your lifestyle. You need to be prepared to pay someone for their help and their professional, unbiased expertise.

Second: You need to commit to a program that will take some work and will take some time. It will involve doing some things that might seem tedious and insignificant, but you must be able to commit to a process that will build a solid foundation, develop new skills and expand your knowledge of wealthy habits. How long this process takes will depend on you, but to implement this phase of financial planning is likely a year-long process—maybe more. Beyond building your foundation, you then need to commit to learning how to build wealth and that might take a few years to get started, and obviously maintenance is a lifelong process.

The **third** step to moving towards significance and away from overwhelm is to begin to implement strategies according to a logical sequence. The sequence starts with baby steps in the first phase, which is to develop habits, skills and strategies to effectively build a financial plan from which you can maintain, develop and sustain.

The following process assumes you are starting from scratch in phase one, but it is important to review even if you feel like your questions are all about passing on your wealth and using it for a higher purpose:

1. There is no judgment, remorse or blame—where you are is where you start!
2. You need written goals and you need to know why they are important to you. Get a journal and start writing. If you would like an assisted journal contact us at www.moneyminding.com for more information.
3. You need to document where you are today, with emphasis on the specific details of your income and expenses by tracking:
 - a. Every item you spend money on for three months or more. How? Carry a notebook, ask for a receipt or get creative, but you need to be specific—no judging—just the facts.
 - b. Learn to balance your cheque book. Even if you don't write cheques you will have transactions from your account. Balancing your books is a skill that you will use throughout your financial life with business accounting, investment statements and personal financial statements. It might seem tedious, but you can't expect to begin the habit when you have millions of dollars to manage. It's something that starts small and builds.
4. As best as you can, use CASH! Studies show that using plastic, even if paid off monthly, will produce an average of 35% higher expenses. Why? Because it's easy. Individual expenditures fall within comfortable limits and you don't have to pre-calculate your expected needs when you're trying to determine your cash requirements. Withdrawing cash in advance will have the advantage of forcing a mini-budget calculation. Furthermore, using cash will enable you to set up specific savings programs that you can't do with plastic purchases (*see below*).
5. Establish banking that enables you to transfer money easily to meet specific needs. The type of bank accounts need not necessarily be with a bank, they can be short-term investment accounts, or special places for saving cash as mentioned above.
 - a. At a minimum you will need one chequing account and one savings account. A savings account is not the same as an investment account. Savings are for specific purposes, investments are for longer term needs, where your money is expected to be working for you. You might also consider a dedicated account specifically for plastic, electronic transactions.
 - b. Whenever a deposit is made, your first two transactions (and entries into your cheque book) are an amount for savings and an amount for giving. I recommend immediately transferring 10% of the deposit to your savings account and withdrawing 10% in cash for giving. Giving can be for gifts, causes you believe in, charities, churches, etc. The key is to take this money in cash. If you find that you get to the end of the month and you need some extra money to pay the bills, the first amount to come back into your chequing account is the necessary amount from savings. If you still need more, you will have to take some of your cash and deposit it back into the bank – a much harder task. If you consistently develop these habits, you may find that after a few months the amount transferring back isn't the full amount transferred to savings in the first place. You can

learn more about these cash management strategies from a variety of articles and programs at www.moneyminding.com.

6. Assign categories to your spending and begin to make informed decisions that will help you come up with a budget that is designed to meet your planned expenditures. A budget will let you feel spontaneous in your spending because you will know that the funds are available. There won't be any questions, guilt, or uncertainty about your spending because you can pre-plan to facilitate unplanned expenses.
7. Establish a regular routine and schedule for you to handle financial matters. This involves not only taking time to plan, track, budget, analyze and monitor; but also, to discuss situations with your spouse or partner. Businesses have regular board meetings, they have dedicated functions to handle these tasks; and they would surely not function efficiently without giving finances and planning a key role in the business. How can we expect to operate our homes giving only minimal attention to these important tasks? We need to value the tasks, habits and skills necessary to produce and manage millions of dollars before we actually have the money.

Phase Two: Wealth Management

The skills learned in Phase One are expanded because savings has accumulated and investment decisions are necessary. Perhaps budget planning has expanded options for income generation, and you are earning more. The key to this phase is that it isn't something you necessarily do after all the steps in Phase One of wealth management. They have to be learned along the way at the same time. The essential components here are a focus on income effectiveness and efficiency, managing risks, investing for regular, stable income; and then adding a growth component and increasing risks as your overall financial situation and personal comfort grow. Throughout this stage a focus on minimizing taxes and implementing loss protection plans is fundamental.

Phase Three: Wealth Distribution

Again, this isn't something that happens after the other phases. Distribution expands on the skills, and strategies that have been put in place in the previous two areas with a focus now on ensuring that your wealth is helping you focus on your top priorities, and is being used to fulfill purposes and causes for which you believe. This phase also ensures that your legacy is planned and not left hap-hazard. It's about pulling everything together into a tidy package so your wealth can now benefit others as well as it has yourself. Insurance strategies, planned charitable giving, corporate tax structures, trusts, wills and estate planning programs are all integrated in the wealth distribution phase.

This entire three-phase program might sound overly simple – and it is, sort of. It all starts with a vision and some written goals and a commitment to do whatever it takes to see it through. Believe ~ Begin ~ Become all that you can. Don't let your questions and uncertainty with how and what to do stop you from living your life!

