5 Simple Fundamentals to Financial Success

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Believe it or not, you probably know what these 5 **Simple steps** are already...

Problem is, You could be Ignoring them at our own peril, knowingly or not…

The end result…

You end up practically Broke!!

We all have great ideas and Dreams for what we would like to achieve and what we would like our lives to look like BUT, do we always manage to achieve these goals?

Unfortunately, Generally NOT!!

If I told you that you need to accumulate approximately 20 times your annual “Living Expense” as an investable lump sum in order to retire Financial secure, would that shock you?

Do the numbers for yourself and see what it works out to for you…

On that note, let’s move forward…

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As individuals, ensuring we care properly for ourselves and our families is not necessarily the most exciting of pastime's – it is however something that is vitally important and necessary.

So, Firstly,
What are these 5 Simple steps?

And Secondly,
What can we do to fix things going forward?

5 Simple Steps

1. Live within Your means.
2. Understand the difference between Good and Bad Debt.
3. Have a Savings Strategy.
4. Cover Your Risks.
5. Stick to Your Plan.

That is it,
As simple as that.

The Challenge however is to Implement and Stick to them!!!

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The next few pages are dedicated to give you some pointers which you can implement in Your life, that if your stick to, can make a fundamental difference to the way you live your life and the Peace of Mind you can have knowing that you have your Future sorted..

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I – Living within your means

- This is the first of the BIG challenges we seem to face as humans.
- Unfortunately, as the years pass by we have become creatures of instant gratification and are generally not willing to save up for things we desire. Credit and the joys of seeing and receiving are just too irresistible.

So, what exactly is "living within your means"?

Here are some sound fundamentals of good financial management that you can apply today :-

- ***Firstly*** *– before you spend a cent, set aside and save a* <u>*minimum*</u> *of 15% of your gross earnings every month.. Always!!! PS, if you are older than 30, this needs to be more than 15%*
- ***secondly*** *- pay off your debt as quickly as possible. Always pay more than the required minimum amount.*
- ***thirdly*** *– Your home is a "lifestyle asset", not an investment. You will always need a place to live!!*

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I – Living within your means (contd)

- ***Fourth*** *- budget, budget budget!!! You cannot know how much you have spent unless you keep account of your expenses. Make sure you do not overspend.*
- ***Fifth*** *– only once you have contributed to your savings (at 15% or more), and paid more than necessary into your debt, may you then spend the rest on "lifestyle expenses".*

As simple as that!!!

PS – Life is NOT all about Saving for tomorrow, I get that!!

So…

Make sure that you allocate yourself something for NOW too. A good way to do this is to reward yourself with something nice (a dinner or even a holiday of sorts) once you have kept to and achieved your Goals that you have set yourself.

It's all about creating a ritual or rituals which become part of you and how you live your life.

2 – Understanding the difference between "Good" and "Bad" debt.

- Is there such a thing as "good debt"?
- Actually there is. It is debt where the finance cost you are paying is less than the return you are getting by putting that money to work for you.
- In other words, you are using someone else's money to make money for yourself. Sound good?
- Businesses often use borrowed money to fund themselves as they can get a better return by putting that money to work within their business.
- Looking at your personal debt, Do you generally get a return on that debt that is greater than the cost of that debt? The answer is generally – NO!!!!

Therefore, generally, the debt we hold in our personal capacity is considered "bad" debt?

The sooner you can get rid of this type of debt, the better.

2 – Understanding debt (contd)

Here are some pointers for reducing debt efficiently:-

- ***Firstly*** *– understand which of your debt is the "most expensive". Pay that debt off first.*
- ***secondly*** *- make sure you have a strategy to pay off your debt. Put definite time periods and dates to your repayment commitments.*
- ***thirdly*** *– stick to your plan / strategy!!*
- ***Fourth*** *- pay extra into your debt whenever possible. This can make a fundamental difference to the repayment period and the amount of interest you end up paying on the debt.*
- ***Fifth*** *– once you have paid off your debt, make additional contributions into your savings. This will enhance your opportunity to reach financial independence far quicker.*

Keeping to this discipline will give you huge Financial Benefit, satisfaction & peace of mind!!

3 – Have a "Savings Strategy" in place.

-What on earth is that you may ask"?

-If you have a goal, but do not have some sort of "plan" or "strategy" to achieve that goal, do you normally achieve it? The answer… generally, not!!!.

-Why do you think successful companies spend so much time strategizing and planning? It is because they know that, without it, they have no direction, common goals and way of measuring their success or ability to focus and achieve those goals.

-Why should this not also apply to your personal life and goals you have for yourself and your family?

Having documented personal goals is vital to living a successful life.

Here are some pointers for implementing a savings strategy:-

*-**Firstly** – document your goals and share them with your loved ones. (This creates accountability)*

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3 – Savings Strategy (contd)

- ***secondly*** *- make sure that you can measure your progress. Not being able to measure dis-incentivises you and you will lose focus.*
- ***thirdly*** *– once you have documented your goals and quantified and put dates to these goals, ensure that this strategy forms part of and complements your overall "lifestyle planning".*
- ***Fourth*** *- stick to your savings plan through thick and thin. Before you know it, years will go by and you will have accumulated a very nice nest egg for yourself. The power of compounding will be on your side too.*
- ***Fifth*** *– always make additional contributions to your savings when possible. Small extra bits now will make a big difference in the future.*

The power of compounding is phenomenal. Use it to your advantage!!!

4 – Cover Your "Risks".

-There are **2 types of risk** we are referring to here: -

-**Personal risk**: - this is cover such as life, disability, dread disease, and income cover.
-**Asset risk** : - this is typically your short term cover and personal liability cover.

The most important is ***personal risk*** cover of course. If we look logically at this, being the provider for a family, we have a responsibility to ensure that, should something happen to us, that the rest of the family do not suffer as a result or more than necessary.

Secondly, it is possible to get by without asset risk cover (short term insurance) but is it a risk you are comfortable taking?

The primary objective of both of these types of cover is to provide peace of mind in the event that should something happen, there is some form of relief or compensation for the loss.

Lets have a slightly closer look at personal risk cover…

4 – Cover Your Risk (contd)

The principle of personal risk cover.

We find that, very often, for whatever reason, people seem to be more reluctant to take personal cover than they are to take cover on their assets.
Very strange when one realises that, without you the provider, there would be no assets!!!

Here are some things to look for when implementing personal cover.

*-**Firstly** – keep it simple and make sure you know your real and exact reason for the cover.*
*-**secondly** - implement only the cover you need and make sure you understand the extent of the cover and any conditions that may apply.*
*-**thirdly** – review your cover on a regular basis to ensure that it remains relevant and sufficient for your needs.*
*-**Fourth** - do not cancel your cover until you are certain that you do not require it any more. Too often I hear stories where people have cancelled their cover during times of financial difficulty and then suffered a loss.*

Make sure that you discuss your personal cover with your spouse and that you both agree on what cover is implemented. This eliminates any surprises.

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5 – Stick to Your "PLAN".

-Based on the previous 4 fundamentals, once you have a well thought out and implementable plan in place, make sure you **do your absolute best to stick to it!!**

-Just like so many "new years resolutions", a plan that does not fit what you feel you can ***action and implement***, isn't worth the paper it is written on.

-Make sure that in putting the plan in place, you are integrally involved and completely "buy into" your plan.

-Implementing this plan must become part of how you live on a daily basis. As tony Robbins says, it must become one of your daily "rituals" that you live by.

Having a well thought out and implementable lifestyle plan or guide is integral to your financial and ultimately your life success.

We are not all necessarily great with or even enjoy dealing with finances.
However,

somehow, we all need to find some way of ensuring that we take responsibility for our financial success

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5 – Stick to Your "PLAN" contd.

Whether you do your planning yourself or whether you have someone mentor and guide you through the process, if implemented properly an Effective and Implementable Plan is something that will fundamentally change the course of your and your family's lives.

*If you are interested in finding out a little more about how to develop and implement a **Lifestyle Plan** for yourself and your family, click one of the links below.*

Learn More!

Make contact!

Your success is in your hands…
Grab it and make it happen!!

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