Faith Based Principles for Financial Success:

An Eight Step Plan for Wealth, Happiness and Peace of Mind

While we have done our best to present factual information, things change over time. Rather than trying to apply any of the specific examples in this guide to your own life, focus on the underlying principles they teach. We recommend that you seek the advice of a competent financial professional in your area before making any financial decisions. None of the information that follows should be considered an offer to buy or sell any security. Such an offer is made only by prospectus, which you should read carefully before investing or sending any money.

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Have you thought about the impact your financial choices have on the people and things that matter most to you?

What if your entire financial house was in order? What if you had no financial stress at all? How would that change your life and the lives of your loved ones?

While this guide will teach you what needs to be done to be a financial success, we believe it is much more important than just money. It is about you, your family and organizations and things you care about. It is about being able to stop worrying about money and focus your time and energy on what matters most to you.

This guide can be used as a do-it-yourself guide or to help you prepare to meet with an advisor from ***Wealth Management Systems***.* Whichever you decide, the most important thing is that you follow through and ***implement the steps***! Our efforts in writing this guide and your efforts in filling it out are completely useless unless you take some kind of action. (But don't worry. You don't have to do it all at once.)

We have done our best to cover all the key questions that need to be addressed when developing a financial roadmap. In fact, we have tried to write this as if we were having a conversation with you. We want it to feel like you are actually working with a financial advisor as you go through the pages.

That being said, in a written format it is impossible to cover every contingency and variation that may impact your plan. If you would like some help, feel free to call us at the number below. We'll try to answer your question over the phone or, if you choose, have you come into our office. The truth is, there are some financial concepts that are better explained face to face using charts and graphs.

If you are looking to find a quick fix or 'secret' to solving all of your money challenges, you can stop reading right now and go watch TV. Financial success is a process and not an event. It takes some time and effort. We have done our best to include only tested principles that have been proven to work. Some things may be relatively easy to do and others will take time.

(Authors note: We chose the title ***Faith Based Principles for Financial Success*** because we believe that aligning your finances with your faith is an important step. The faith aspect gives you guidance and helps you make better choices. While we will use examples from the Christian faith, we respect your personal beliefs. If they differ from ours, then use the examples as a model to explore your own faith as it relates to the ideas taught in this guide.)

* Advisory services offered through Portfolio Medics, LLC.

We hope that you will use this guide not just to compile your financial information and goals. Use it as a tool to help you develop better habits based upon Faith Based (or prosperity) Principles. When correctly applied, prosperity principles will nearly always make our lives better in any area.

Before we get into the eight steps, let's begin with something simple about your family. (This is just a warm up. The questions get much tougher in the step one.) On the ***net worth*** page in the back of this guide, record the names and birthdays of everyone who currently depends on you or may in the future (like your parents). If there are ex-spouses involved, be sure to include them whether or not you pay or receive any money from them. They will need to be considered in the estate planning section.

Step one – THE POWER OF PURPOSE

Now that we have some of the basics done, let's move on to the first and most important part of the whole process. Many people are tempted to pass over this section. You might think that it is really not important and want to get straight to all the nuts and bolts of your plan. Please don't make that mistake! You want to be a financial success don't you? Then take the time to do this part. In fact, take all the time you need. It is okay to think about it for a weekend. Maybe you and your spouse can take a long drive or go to a park. Get away from all the distractions in your life (like the TV and those little people who live with you called 'children') and really think about this. The nuts and bolts of your plan will still be waiting for you when you get back.

The question you need to answer is… what really matters to you?

It is a simple but deep question. It is one that we rarely ask ourselves and even less frequently do we actually try to answer it. As I mentioned in the live presentation, defining your purpose will help you make better decisions, financially and otherwise. In the end, successful people from any walk of life are those who made better decisions than the rest. I wish it were more complicated than that so I could write a much longer book and charge more money for it. But success is usually pretty simple. It is we who make it needlessly complicated.

Unless you establish some core personal values, I believe that true financial success will always elude you. In fact, helping to define some core values is the very first thing that I do with all of my clients. Your values become the foundation upon which all of your decisions, financial and otherwise, are made. Without defining what's important to you, you'll never have enough money. You'll always want something more.

Some people actually suppress their personal values and make important life decisions based upon what others might think. They choose a career, buy a home, or buy a car because that is what everyone else is doing. Some might think that earning more money and living life in the "fast lane" will make them happy, while others may believe that simplifying their lives and getting rid of material things will lead to inner peace.

The truth is that you might be better off earning a high income and living in a big city. Or maybe a quiet life in a small town is better suited for you. Whichever you decide, make sure that it is based upon *your* values and no one else's.

Luke 18:18, 21-23 Rich man went away sorrowful because he had not clearly defined what mattered most to him.

It's amazing how much easier it is to make decisions once you have clearly defined what is important to you. You simply ask yourself if choice "A" will add to or take away from your foundation of values. Should you buy a bigger home? Should you work longer hours? Should you work fewer hours? Should you change careers or go back to school? While it may be impossible to make the right decision 100% of the time, asking yourself how the options compare to your foundation of values will put the odds in your favor.

So step back from your busy schedule and reflect on what truly matters to you. Who are the people and what are the organizations and things in your life that you care about most? What kind of impact do you want to have on them and the world around you? What are your core personal values?

You and your spouse should each write out the answers to these questions on your own. Jot down what comes to mind quickly. Then discuss your answers. You will be surprised at the insights this exercise will offer you. It will give you clarity that will help you make better financial choices. If you have children over the age of 8, you should ask them to do the same thing. Although many questions ask about 'we', give *your* perspective on it.

Self-Assessment, part I (The big picture)

1. Who are we?
2. What is the purpose of our family?
3. What do we want to accomplish or build together?
4. What legacy do we want to leave?
5. What do we want our home and family to <u>feel</u> and <u>be</u> like?
6. What are the five most important things to us?
   - ❑
   - ❑
   - ❑
   - ❑
   - ❑
7. What talents and skills do we want to develop in our family?
8. What exactly does financial independence mean to you?
9. What would having or doing the things mentioned in question 8 do for you personally and for your family? How would you feel?

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10. What are some of the things you would like that require money? (Vacations, college and mission funds, retirement funds, a bike, car, new home, pay off debt, give to charity, help others, travel, music lessons, etc.)

Self-Assessment, part II (The details)

In part I, you looked at the big picture. Now we need to get specific. Here is a list of 10 items that most people will need to address at some time in their live. Some may not matter right now. If an item is not important to you, just rank it at the bottom. Be honest!!!

Y -- Yes
N -- No
? -- Not sure
Rank them AFTER answering yes, no or not sure.

	Y	N	?	Rank
I have a 3-6 month cash reserve in the bank.	__	__	__	___
I am comfortable with my current debt situation.	__	__	__	___
I have enough assets (life insurance, savings, investments) so that my family could continue financially in the event of my death or the death of my spouse.	__	__	__	___
I have a plan to pay for my children's/grandchildren's education.	__	__	__	___
I have a plan to choose, monitor and adjust my investments.	__	__	__	___
I have a plan to create and pass on a Legacy to my children and grandchildren.	__	__	__	___
I am on track to achieve and/or maintain my retirement goals.	__	__	__	___
I am happy with my current level of savings/investments.	__	__	__	___
I have a ***written*** financial strategy that addresses the issues above.	__	__	__	___

Now go back and rank the items that you feel you need to take care of first, second, and so on. Although it may be important to get to all these things over time, we recommend that most people focus on the top 1-3 items first. Then move on to the next 1-3 items. You don't have to do it all at once. But you do need to do something!

<u>Step two – THE POWER OF A PLAN</u>

Don't spend or work for that which cannot satisfy. Isa 55:2

Now that you have decided what matters most to you, it is time to design a plan to support and enhance those values.

Here is an analogy to make it crystal clear why you need to have a plan. Imagine you were going to drive from Los Angeles to New York. It is important that you get there. You know that New York is to the north and east of LA. So without any map or directions, you start to drive in a NE direction. After all, who wants to be constrained by a map? Why waste time planning when you could use that time to start driving?

While you might end up in New York eventually, here is a list of drawbacks to this approach:

- It will be hard to track your progress.
- You will get lost many, many times.
- You might put yourself and your family in danger.
- It will be hard to know the distance to the next town or your final destination.
- You will waste large amounts of time.
- You will waste large amounts of gas.
- You could end up driving 5-10 times more than needed.
- (Perhaps worst of all) In spite of your efforts, you may ***never*** get there.

Having a map and a plan allows you to:

- Track your progress.
- Avoid getting lost.
- Avoid dangerous detours and mistakes.
- Know how much farther you have left.
- Save time.
- Save gas.
- Get there as efficiently as possible.
- (Perhaps best of all) Greatly increases the likelihood that you will get there.

I'd like to believe that most people would choose the second option and look at anyone who does the first as foolish, especially if arriving were important. Yet so many Americans use the first option when it comes to their personal finances.

As mentioned on track 6, financial failure is often the result of too many good decisions. (See Luke 14:28-30) People try to do too much and have very good intentions. But intentions don't matter much when you are 65 and broke and your spouse is in great pain because you cannot afford the medication. Or what if your adult child has a miscarriage and asks you to come comfort her but you cannot afford the trip? Having a plan will help avoid that.

What do you want to accomplish that will require money (directly or indirectly). Write down here the things you would like to ***start*** or ***accomplish*** in the appropriate time period. (You might *start* an investment plan or *accomplish* buying a home or life insurance.)
Short-term goals of 1-5 years.

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Mid-term goals of 6-15 years.

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Long-term goals of 16+ years.

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How would accomplishing the goals above impact the things that are important to you? Would it give you peace of mind, better relationships, less stress, etc? Take a moment and write down the first 3-5 things that come to mind.

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In the book ***Yes, Money Can Make You Happy***, financial success is defined as "using your resources (time, energy, and money) to enhance the things you value most." Although how much money you have will affect it, your financial success will have far more to do with the small decisions you make everyday. It is FAR easier to make good decisions within the context of a plan. Yes, it takes some time and effort. But the payoff is huge. It will multiply your 'effectiveness' many times over as you try to manage your limited time, energy, and money. It can also make you feel happier and give you peace of mind.

A young couple once came rushing into my office 30 minutes late for a 4pm appointment. They asked if we could still get everything done by 5pm. Then they explained that the reason they were late is that the day before their vacuum cleaner had broken and they had just spent the past 3 hours shopping around to buy a new one. So I asked them if it made sense to spend 3 hours trying to save $20 - $50 on a vacuum cleaner and then cut short our meeting, which could potentially make a difference of tens or hundreds of thousands of dollars in the future. They hadn't looked at it like that and we went on to have a great appointment.

Are you committed to putting forth some time and effort into creating and implementing a financial roadmap? It will take usually 1-3 meetings up front if you work with an advisor from ***Wealth Management Systems*** and then a few hours per year to maintain. That is because we do all the research for you. We will also bring you ideas and updates as they become available that may have an impact on you. We are always working for you.

It is almost impossible to calculate how much time it will take to do it by yourself *and* do as good a job. Don't get me wrong. We are no smarter than our clients. But at ***Wealth Management Systems***, our representatives meet weekly for training and cases studies, go to workshops once a month, and multi-day conferences a few times a year with one goal in mind: how to best help our clients. It is all we think about. You cannot put that kind of experience in a book or *Money Magazine* article.

Like I mentioned at the start of this guide, whether you do it yourself or with our help is not as important as getting it done right. Just like planning that trip to New York, the effort will have an enormous impact on your success. It is well worth it!

Let me end this section with a simple question… Are you committed to taking some time to create and maintain a financial plan? _________ (Write down yes or no.)

Step three – Cash Flow

After defining your purpose, having a positive cash flow is the most important step in your plan. It is what feeds everything else. Without it, the rest of your plan is worthless. It is like having an expensive car but not being able to afford the gas. It looks nice but it won't get you very far.

Money coming in minus money going out = cash flow. Is your cash flow positive or negative?

Incoming money is from one of three sources; a job, a business, or investments. Regardless of your source of income, it is your responsibility to figure out how to increase it.

Like it says on the CD, those who earn more money are very good at their job or business. They are committed to continually improving their skills.

Learning how to earn more money is the best 'investment' you will ever make!

Here are some scriptures about this topic for you to consider.

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2 Cor 9:6 Sow little, reap little; sow much, reap much
1 Thes. 4:11-12 Study, do your business, be honest, and lack nothing
Matthew 25: 14-30 Parable of the talents
Isa. 1:19 If ye be willing and obedient, ye shall eat the good of the land.
Prov. 3:9-10 9 Honour the LORD with thy substance, and with the firstfruits of all thine increase:
10 So shall thy barns be filled with plenty, and thy presses shall burst out with new wine.

Another way to increase positive cash flow is to cut back on expenses. People are always surprised at where their money is going when they take a close look. Early in my career my wife and I had no idea how much we were spending to go out to eat. It turned out to be over $150 a month. We decided to cut back to $75 for going out and started our first investment with the other $75.

We have had some clients who saved over a hundred dollars a month by shopping their home and auto coverage. Or by adjusting their withholdings from their paycheck so that they don't get a big refund each year. That can save you hundreds of dollars per month and let you use the money now.

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If you are still working, here are some questions to answer…

Write down where you currently work and how much you earn.
_________________________________ (If you are retired, we'll get to that in a moment.)
What can you do to earn more money in your current occupation? (Take a course, improve a skill, etc.)

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If you cannot earn any more in your current position, what can you do to change jobs?

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If you could do anything at all to earn a living, what would it be? Can you start taking steps in that direction? What are they?

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If you are retired, you still have a job. Your job is to make your money work hard for you. List your sources of income like social security, CDs, pension, IRA, 401k, investments, rentals, etc.

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When you meet with an advisor from ***Wealth Management Systems***, we will evaluate your sources of income to see if there is a way to increase any of them.

Step four -- SAVINGS

The good news is that Americans are good at saving money. The bad news is that they are even better at spending it. They save and spend, save and spend never getting anywhere. Does that sound familiar?

I attended a conference where it was reported that the average American could only live for three days on their savings. No wonder there are so many check cashing places being built. On a road near my home, there are sixteen of them in a two mile stretch. Count them where you live.

The key to a successful savings plan is *keeping* the money saved. It usually takes some extra discipline in the early months and years. As your account balance grows, it becomes fun and actually gets easier.

A good rule of thumb is to have three to six months of living expenses set aside. We usually think of it as something we need for emergencies. That is true. But it is also for things that you know you will need this year like a vacation and Christmas gifts. That's right. You can actually pay cash for those things instead of using credit cards. You know you will need the money so why not save for it?

A savings account is not designed to get you high rates of return. But it can often lead to what I call 'hidden returns' because it allows you to take advantage of opportunities. I once met a lady in her forties who had been disabled for 20 years. She had seizures and was not able to work. She lived in a mobile home on land that was paid for. She had no debt and received $880 a month from social security. That would be hard to live on.

She saved $500 a month and had over $40,000 in her bank account! She used United Way buses to get around town. They required her to have a $.75 token for each trip. One day, it was announced that the price of tokens would go up to $1. My friend asked a driver if tokens she bought at $.75 would still be valid after the price went up. He said it didn't matter what she paid for it, as long as she had one. So for the next month, she 'invested' $500 buying every token she could before the price went up. In effect, she earned over 30% return on her money because that is how much the price of something that she depended on was going to go up.

Many good people are better prepared for an earthquake that may happen in the next 500 years than they are for a financial emergency that we KNOW will happen this year. Something always needs to be repaired or replaced.

No matter how much you currently have, commit to building up your savings until you reach your goal. It may take several years and that is okay. It is not okay to stay where you are at unless you have reached your target.

How much do you currently have in checking, savings, CDs or other liquid stable accounts? ____________
What is your goal to have in a savings account? _______________
What are your plans to build up your savings?

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Step five -- PROTECTION

Perhaps the biggest financial loss any of us could face is a loss of income. While insurance cannot stop bad things from happening, it can reduce or eliminate the financial impact.

First, let's look at life insurance. Chances are that if you die, your company would stop paying you. A loss of income is the biggest economic loss that most of us will ever face. Most of us fully insure our house and yet insure our income for only a small fraction of it's future value.

There are two important things about life insurance. First, buy the right amount. Too much and you're worth more dead than alive. Too little and you leave your family stranded on earth without enough money. Do you want to live in heaven with a spouse who is mad at you for leaving them on earth without enough to live on? Of course, we'd like to think that money won't be so important in heaven. But it sure helps down here for those left behind!

To calculate the right amount, just answer a few questions. If you were to die, would you want the debts paid off? Would you want to set up a college and wedding fund for your children? Any other special needs or wants? After those things are taken care of, how much income do you want to leave your spouse and for how long?

Be careful when you calculate the life insurance needs of a spouse who doesn't work outside the home. One of my clients taught me this lesson well. He wanted enough life insurance to do all the things I mentioned above. When I asked about his wife, he said he wanted the same coverage on her. You see, it was important to them that one parent be home to raise their six children. He told me that if he died, his income would stop. If his wife died, his income would still stop because he would need to quit work in order to go home and raise his children.

What is the best kind of life insurance? The kind that is in force when you die. There are some who feel passionately about term life and others about permanent coverage. I believe that the real answer is that most people need both. Higher amounts of term life when the family is young and debts high. Lower amounts of permanent coverage to take care of final expenses, replace loss pension or social security income, etc.

Many people don't worry much about life insurance because they have it through work. What they don't realize is that a personal plan that they own and control can often be purchased for about the same cost, sometimes even less. If you can qualify for a personal plan, do not use the one through work as your primary life insurance!

It is beyond the scope of this guide to explain all the different kinds of life insurance. It can be confusing and even overwhelming. There are a lot of conflicting opinions. We will be happy to have you come into our office and try to clarify it all for you.

Disability insurance

Can you afford to take a 6 month vacation right now with no pay? How about a 5 year vacation? That is what a long-term disability is like. One of the biggest and least covered risks we face is disability income. You are four times more likely to be disabled for three or more months than to die before age 65. Yet very few people have disability coverage.

Unlike life insurance, a group disability plan is usually the way to go. You get virtually guaranteed acceptance and lower rates. For the self-employed or those without a group plan offered, we can help compare rates at multiple companies to find the best one for you.

Most plans offer up to 60% -- 70% of your income as a benefit. You should make sure that the income lasts at least 5 years after you are disabled. A plan to age 65 is even better.

Some will say they don't need it because their spouse can work. While that may not be the best plan, it is worth considering. Just remember, if your spouse is not working now, it will be even more difficult for him or her to go back to work while trying to take care of you. Or if your spouse already works, can you live on his or her income alone right now? If not, how will you do it along with all the expenses of being disabled?

Other kinds of insurance

Although we will not address it in this guide, other kinds of insurance you need to review are health, long term care, home, auto and liability. Please call us or talk to your local agent for details.

Step six – DEBT

What is the true cost of debt? I believe that it is much more than the interest rate charged.

Unwarrantable indebtedness is one of the curses of this day and age. When a family finds itself too far in debt, the atmosphere of discouragement enters the home, relationships become tense, tempers become short, and marital troubles begin to erupt. To meet the indebtedness, the mother may frequently leave her children to themselves while she finds employment out of the home. Irregularities in the home follow: service to God is disregarded, tithing is neglected, prayers become less frequent, persons begin to feel separated and apart from God and church. (John Vandenberg, Conference Report, Oct. 1966, 66.)

The sixth part of your financial strategy is debt management. Although you eventually want to be completely debt-free, don't panic if that goal seems so far away. Focus on getting rid of "bad debt" while wisely managing your "good debt."

When it comes to spending your money, you have three choices.

1. Perishable items (a vacation, eating out, etc.). They hold no value.
2. Depreciating items (a car, furniture, etc). Their value decreases with time.
3. Appreciating items (a home, education, business, etc). Their value usually goes up with time.

Any debt used to buy perishable items is *always* bad debt. It shows a lack of self-control. The person doing it wants immediate gratification and convinces him or herself that it is okay to add another $50 a month payment. What they don't understand is, if they use debt to purchase perishable items they are literally stealing money from their own future *with interest!*

When we are out of control of our spending, we have lost sight of our purpose. We buy stuff because it makes us feel good temporarily. It is a substitute for faith based happiness and not a very good one. (Of course, there isn't a good substitute) When we look to worldly things and not our faith to make us happy, we will always be disappointed in the end.

The next time you are tempted to finance a perishable item, think about this. If it is worth going into debt to buy, it is also worth saving for. If you are not willing to save for it, it is not worth going into to debt to buy.

Using debt to purchase depreciating assets like a car should be *avoided whenever possible*. In his book *Money: An Owners Manual*, Bob Denton makes an excellent point. He said that it is much easier to spend future earnings through a loan than to part with money we already have.

Imagine if you are about to buy a living room set for $6,000 and you finance it for 12 months 'same as cash.' You may think that you did the right thing because you can afford $500 monthly and will not pay any interest. But if you had to pay $6,000 out of your own pocket up front, you would realize that you could do just fine without the $6,000 set. The $3,000 set begins to look a whole lot better. People who finance things (even with no interest) tend to spend up to 28% ***more*** money than they would if they paid cash.

It is okay to use debt to purchase appreciating assets like a home or an education. But do so wisely and maintain control. I met a small business owner who told me about a friend of his who owed $120,000 on a home he had purchased 35 years ago for $32,000. Imagine owing four times the purchase price of a home 35 years after moving in! His friend had earned above average wages but always spent more than he made. He frequently refinanced his home and now he was actually upset because he had just been turned down for another loan.

What about refinancing your mortgage to pay off debt? Is that a good idea? I hesitate to say this but yes it can work. In fact, it can do wonders for a family. But most of the time they are abused and the people end up worse off because they use the extra cash flow to get more debt.

I would never refinance your house to pay off consumer debt or any other major changes to your debt UNLESS you do it in the context of an overall financial plan. This strategy only works if you commit to saving the difference.

Take the time to analyze your debt. Classify it as "good debt" or "bad debt". Then commit to paying off your "bad debt" as quickly as possible while paying off your "good debt" on schedule. Once all the other parts of your financial strategy are on track and your "bad debt" is gone, then you can consider paying off your "good debt" ahead of schedule or investing additional money.

Step seven – INVESTMENTS

Investments are usually designed to earn higher rates of return than a savings account. They also have a higher degree of risk. However, time can reduce that risk. That is one of the reasons why investments should be used to meet long-term financial needs like college education or retirement.

Without knowing anything about you, it is impossible for me to recommend any specific investments. But I can give you general guidelines.

According to an article in the USA Today newspaper, 83% of Americans don't know how to manage their retirement account! They make choices based upon emotions, hunches, or 'hot tips' from the guy in the cubicle next to them at work. A colleague of mine in the Army National Guard once offered to buy me lunch. When we sat down, he complained that his 401k had lost 30% in the past year. I asked him how he chose which option to use and he replied that he put it all into whichever one had performed best the prior year.

You need to implement an emotionless, proven system for choosing, monitoring and updating your investment portfolio. We give examples of this in our live workshops and one on one meetings. Call us to learn more.

For each of your major goals, you should project future needs and what they will cost after inflation is factored in. Then figure out, using reasonable assumptions, what the expected return on your investment will be. That will enable you to calculate what you need to invest today to meet those future needs. Due to the many factors that can affect an investment plan, review it every 1-2 years and make any adjustments needed. Are you on track for retirement? Would you like to know?

Step eight – ESTATE PLANNING

This is something that many people believe should be done when you are old and about to die. While creating an estate plan is important BEFORE you die, you shouldn't wait until one foot is in the grave to do so. In fact, in a moment I'll show you why anyone with minor children needs to have an estate plan.

In a nutshell, an estate plan is designed to help you maintain control of your assets, no matter what happens to you. It can keep your family together rather than tear them apart as they try to deal with your final wishes and distribution of assets.

When it comes to estate planning, you have four basic options. The first one is to do nothing. According to Steve Mueller, a human resource expert and trainer, about 70% of Americans do not even have a simple will.

In this case, the government will decide who gets your assets and dependent children. That is not something that I want the government to do for me.

The second option is a simple will. While it is a useful tool to tell the court who should get your assets and raise your children, your family may still have to go to court for probate. In simple cases it may only take a few months. But it is not unusual for it to last more than a year. That means your family will have to deal with your death for a long time. They also will not be able to use your assets until everything is approved by a court. No matter how long it takes, probate can cost your family 5%-10% of the value of your estate. That can easily reach tens of thousands of dollars.

The third option is joint tenancy. This is a way to avoid probate and it used to make sense many years ago. Basically, the parents put their children's name on the deed to their house so that in effect, they own it together. When the parents pass away, the children already own it so there is no probate.

This method has two major flaws. First, if the children are ever sued, the court can seize the parents home since it is considered an asset of the children. Your kids may or may not get sued. But the second flaw is almost guaranteed to happen.

If your children are added to the deed of any major asset while you are alive, it is as if they received it as a gift while you are living. After you pass away, if they sell the asset they will pay the capital gains tax as if they had owned it all along. For example, you might have paid $50,000 for your first home and now it is worth $550,000. That means your children will pay capital gains (state and federal) of about 20% or $100,000 when they sell your house.

If your children receive your house as an inheritance after you die, any taxes due from the sale will be based upon the increase in value from the time they received it. It is much easier to pay taxes on a few months of appreciation than on 50 years of appreciation!

The fourth -- and in my opinion best -- estate planning tool for most people is a living trust. There are more complicated methods for those who have large estates or a business that they want to pass on. But average people will do just fine with a living trust.

The following explanation is a brief summary. While it has been reviewed by an attorney for accuracy, we highly recommend that you evaluate your situation with an attorney. If you live in Utah, you can contact us to be referred to one who does an excellent job and gives our clients a deep discount.

In a nutshell, a living trust is a contract set up and managed by you for you. It is a very self-centered arrangement! You let the trust own all of your major assets and you control the trust. Other than a name change on your deeds, nothing else really changes.

If you can no longer make decisions about your assets or dependent children due to death or major disability, a back-up trustee steps in to manage your affairs on your behalf. This is someone you, not the courts, have chosen to follow your instructions laid out in your trust. Obviously, you want this to be a person you trust.

Since the trust owns the assets and not you, there is no need to go through probate. That means your assets can pass on to the next generation immediately.

Living trusts can be changed at any time while you are alive. You are in complete control as long as you can make decisions for yourself. Once you cannot, someone else simply follows the instructions you have already laid out. It is a great planning tool! It also has one other major benefit for people with dependent children.

If you and your spouse die with minor children left behind and you don't have any kind of estate plan, the courts will step in and assign a guardian. It may or may not be the person you would have preferred. The court will also usually give the guardian control of your assets and life insurance to use on behalf of your children. There are two basic outcomes in this situation and both can be bad.

First, the guardian may not use your assets wisely and by the time your children are 18, all the money is gone. There have been cases where children have sued their guardian for mismanagement once they reach age 18. Whether or not mismanagement happened, that is a sad situation for everyone involved.

The second outcome is that the guardian is great at managing your assets and the value actually grows for your children. Why is that bad? When they turn 18 they get it all. Do you want your child to get $500,000 on their 18th birthday? I think this is actually the worse outcome because sudden wealth is more likely to destroy your child than having to work hard.

With a living trust, you can name a guardian to raise your children and a trustee to manage the money. While they don't have to be a different person, it is good idea. One watches the money and one watches the children. Have the trustee pay a monthly 'allowance' to the guardian. I suggest you be generous because they are raising your kids. When they turn 18, you may tell the trustee through your trust to pay for college, a mission, a wedding or anything else you deem important.

We believe that any money left over should be handed out in installments. For example, in thirds at age 25, 30, and 35. Let's face it, 25 year olds are not a lot smarter than 18 year olds and may blow the first installment. But they will probably do better with the next two.

Let me try to summarize this part with a true story that you may remember. Several years ago a young couple was killed by lightning while camping with their three children in the Uintah Mountains. It was a tragedy made worse by the lack of an estate plan.

The news reported the next day that the family was trying to decide who would raise the children. A set of grandparents and an aunt and uncle from different sides of the family stepped forward to help out. But they couldn't decide who would get them. They ended up fighting each other in court for about a year before finally coming to an agreement.

If you have ever been in a courtroom, you know that it is not a loving and caring environment. When the children needed the love and support of BOTH sides of their family, it was torn apart by an expensive and emotionally draining legal battle. A living trust would have avoided it all.

Conclusion

If you are like most Americans, you do not have a written strategy that addresses and coordinates the areas I have just described. Even rarer is someone who has a complete plan based upon his or her core personal values. *Yet that is exactly what you need in order to have money make you happy*. Let's look at three basic categories of people when it comes to financial strategies.

People in the first group have some kind of retirement plan through work and have bought some life insurance from a friend. They tend to have a hard time building any meaningful cash reserves and they are just too busy keeping up with life to give any real thought as to how they can increase their income or cash flow. They have probably at least thought about these areas at some time or another. But they have never looked at them as a complete package. Money will rarely make this group happy.

The second group is made up of people who have definite plans in a few areas. They might focus on earning a high income and consistently increasing their cash flow. Or perhaps they have a real handle on their debt and pay extra towards principal each month. Or maybe they understand and monitor their investments and are on track to reach their long-term goals. But they still haven't looked at all areas together. Money may or may not make them happy.

The third group is made up of those rare individuals who have looked at all areas as a complete package. For example, they understand that the kind and amount of life insurance they buy is affected by their debts, cash reserves, and investments. Their investment strategy takes into account their increasing cash flow. They know that each part has an impact on the other and they never make a choice in one area without reviewing the rest. If they base their plan upon their core personal values, I can almost guarantee that money will make them happy.

Perhaps the biggest key to your financial success is having a plan like I have described.

But you don't have to take care of everything at once. In fact, after reviewing each area, you will most likely need to prioritize them and focus on one or two at a time. Depending on your situation, it may take several months or several years to get all six areas where they need to be. That's okay. What is not okay is to continue living your life in the first or second group.

Developing a written financial strategy will take some time and effort. If you try to do it alone, expect to spend several hours a day for many weeks reading and researching all the areas. Working with a financial professional who has an established process for addressing each area will cut the time down to a few meetings. Whichever way you decide to do it, I hope that what follows will help motivate you to get started.

'It's not how much you know but how much you apply that counts.' Heber J. Grant

I love what Janene Baadsgaard said about getting your finances in order…

In the beginning, taking the time to make plans and manage your finances seems like a preoccupation with money. In the end, money management plans allow you to free up your mind and heart and get on with more important things. (Family Finances for the Flabbergasted [Salt Lake City: Deseret Book Co., 1995], 30.)

I want you to imagine for a moment that you already have a complete plan in place. You love your career and you are good at it. You have the proper type and amount of insurance so that your income is guaranteed to continue in the event of your death or disability. You have three to six months of cash reserves built up and you know that you can take care of things like holidays, vacations, and emergencies without worrying about the money. Your cash reserve also allows you to take advantage of opportunities. You have no bad debt and you are paying off your good debt ahead of schedule. You have calculated what it will take so that you can retire comfortably as well as educate your children, and your investment strategy is on track to achieve those goals. Finally, your estate plan ensures that important decisions will be made on your behalf according to your wishes at critical points in your life.

If all of the above were true, how would that make you feel?

Would it allow you to focus more time and energy on your spouse and children? Would you be able to take advantage of opportunities or give more time to causes that you care about? What would happen to much of the stress in your life?

I'd like to finish by telling you about Jose. He was a flight attendant on a trip I took to California. Our plane had been delayed for five hours while repairs were made. When I finally boarded, he did not give me the usual smile that we all expect from our flight attendants. Rude passengers were making a long day seem even longer for Jose and there were still two flights left before his workday ended.

Once we reached cruising altitude, I asked Jose if he would pass along an autographed copy of my book to the pilot. (It's fun to have a pilot announce to the passengers that there is an author on board!) Jose came back and asked if I had written the book. I said yes and gave him a copy of an article outlining the five steps to being a financial failure. As he read it, a smile appeared on his face. He no longer looked tired and frustrated.

Jose told me that he had been guilty of most, if not all, of the steps. 12 years earlier he was a 27 year-old divorcee. His ex-wife left him with a mortgage, two car payments, and $15,000 in revolving debt. He felt depressed and overwhelmed. But something inside him awoke. He promised himself that he would get out of debt, take control of his life and become a financial success.

With determination, sacrifice, and focus, Jose began to eliminate his revolving debt. He stopped going out to eat and gave up vacation time to earn extra money. He was laid off from several jobs but took responsibility for himself and found employment elsewhere. He worked hard and did whatever it took to accomplish his goals.

Today, he no longer has revolving debt. He saves 38% of his income for retirement. He takes nice vacations, eats out, and is enjoying life much more than he did 12 years ago. If Jose can make a change and eliminate all five steps to being a financial failure from his life, so can you. It may not be easy but it is definitely worth it! (The next time you see a flight attendant named Jose, ask him if he's the one from this story.)

It is hard for me to emphasize enough the impact that money has in your life. People who take charge of their money through a plan like I have outlined have a sense of confidence and long-term happiness that cannot be achieved in any other way. They tend to enjoy better relationships, better health, and get more out of life. Ironically, it is not the money itself but the impact that money has on the things your care about most that matters.

Once my clients have implemented a written financial strategy to enhance their values, I ask them a question. What do they believe this plan will do for them over time? . . . Provide happiness, peace of mind, and a feeling of being more in control of their lives are typical responses. Isn't that how ***you*** would define financial success?

It is my prayer for all of you that when this life is over, you will hear your Lord and Master say unto you…

Well done, good and faithful servant; thou hast been faithful over a few things, I will make thee ruler over many things: enter thou into the joy of thy lord.
Matthew 25:23

Martin Hurlburt started **AchieveMore Retirement** to help people Live Life On Purpose! He can help you put together the many parts of a successful retirement into a cohesive plan. The end result is that you know where you are going and how you will get there.

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