Financial Foundations: Finding Stability in Uncertainty

"Laying a Firm Financial Foundation"

In this economic climate, we all know that many people are more worried about their future, finances, jobs, etc. It is important for people to make wise decisions with their finances now (laying a strong financial foundation) so that when troubling or uncertain times come they have a leg (or two) to stand on - becoming financially "storm-proof" so to speak. – **David Van Buskirk**

I. Can You Say These Things?

A. I or We Have No Savings
B. I or We Have No Working Budget
C. I or We Spend More Than I or We Make
D. I or We Feel Entitled to Stuff
E. I or We Have Mounting Debt
F. I or We Are Doing It All Wrong

II. Why are people unable to gain stability?

A. Reason or Purpose

The first and most important reason of why most people are unstable is because ***they do not have strong reasons to save.*** Why should I save money? Most people are fixed on how they will save money and become stable. No amount of how has ever helped anyone without ***enough reasons***. ***Reason and purpose*** will ignite in you unquenchable passion and enthusiasm to pursue your financial goal. Once you have reason and purpose in place, then you will be able to gain stability and save.

B. Wrong Financial Formula

The second reason why most people are unstable financially is ***because by default they employ the wrong financial formula.*** Most people are financially unprepared when it comes to cash flow and arriving at a correct financial formula.

Income – Expenses = Savings

Parkinson's Law – ***law that states expenses always rise to the level to meet income***

Income – Savings = Expenses

Can you see how those two are completely different ways of thinking?

The financially savvy person chooses in advance how much to save or invest before they even think about expenses...while the unprepared person places a higher value on spending rather than saving or investing.

C. Consumptive Lifestyle

The third reason why people tend to become financially unstable is due to an over-consumptive lifestyle. Our culture's view of must get it all right now…consume today for there might not be a tomorrow…brings us right to the point.

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III. Steps to Laying a Firm Foundation

A. Learn About Personal Finance

Make a commitment to ***improve your financial literacy***. You have taken the first step by attending this class. Work on self-education by conducting it on a weekly basis. Attend free workshops and get into the know. Read Books…

B. Put Together a Plan

A spending plan or budget is the best way to see where your money is going. Not just the amounts but where you spent it is just as important. There is nothing more critical to your success or failure as ***an analysis of your personal cash flow.***

Income – Savings = Expenses

C. ***Apply Plan – Start Today***

A plan alone will not ensure your success. You must implement your plan and continue to follow it for a sustained period of time. The most important part being ***that you start now.*** ***Procrastination*** is the #1 reason why people stay in debt.

D. ***Develop "Good Habits"***

- Good Habits Improve Upon Your Financial Well-Being
- Be a Saver
- Plan for Retirement
- Develop a Reserve for Emergencies
- Develop Financial Goals
- Try to Avoid Debt
- Cut Your Expenses

E. Start an Emergency Savings Account

One of the first steps to achieving your goal of financial stability is ***starting and funding an emergency savings account.*** You will need to set down and define ***"What Is" a financial emergency for you or your household***. Next, you will need to start funding that source. Pick an amount to set aside each pay period and stick to it. The most important point being ***that you treat it as the first "bill" you pay each month.***

IV. Where do I begin?

A. Pay Yourself First

This is just what it says…treat your savings for emergencies or saving's goal as the first item on your "To Do" List each and every pay period. Get into the habit of not depending on these funds immediately, so that you can self-fund the next "Life Occurrence". (You Know It's Going To Happen)

B. Draw a Line in the Sand

You have to come to the point in your financial life that you are going to tackle your personal financial situation. You almost need to be at the point where you are sick and tired of going through the same thing time and time again. It is unfortunate that it has to get to that point. However, most consumers let everything else come 1st before they are ready to tackle this problem.

C. Change Your Attitude

Instead of telling yourself, you cannot do something because…

Tell yourself you can do it if you…and then write down a few ideas, nothing is stupid, nothing is outrageous, nothing is considered un-doable until you decide it is.

Remember, the biggest limiting factor ***lies right between your ears…***

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D. Eliminate & Avoid Debt

Creation of a Debt Reduction Plan is the real way to go. The best method for realistically reducing debt or eliminating it all together ***comes from the snowball method of debt reduction.*** The snowball method does just what it sounds like.

- List all debts in ascending order from smallest balance to largest.
- Commit to pay the minimum payment on every debt.
- Determine how much extra can be applied towards the smallest debt.
- Pay the minimum payment plus the extra amount towards that smallest debt until it is paid off.
- Once a debt is paid in full, add the old minimum payment (plus any extra amount available) from the first debt to the minimum payment on the second smallest debt, and apply the new sum to repaying the second smallest debt.
- Repeat until all debts are paid in full.

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V. What Stands in My Way?

A. Attitude

B. Impulsive Spending

C. Emotions

D. Entitlement Thinking

E. Lack of Contentment

F. Self Esteem

G. Family

H. Friends – Peer Pressure

I. Marketing or Society

J. It’s Totally & Completely Your Fault

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VI. Overcoming the Box

A. What's Inside the Box?

1. Comfort
2. Complacency
3. Contentment
4. Lack of Confidence
5. Status Quo – Nothing New
6. Less Opportunity
7. Fear

B. What's Outside the Box?

1. Opportunity
2. Confidence
3. Education
4. Courage
5. Experience
6. Change
7. Failure

VII. Most People

A. Go with the flow never realizing ***<u>everything they are missing.</u>***

B. Would rather point fingers, ***<u>rather than take full responsibility for their actions.</u>***

C. Are too busy trying to find out who has been voted off of "The Island" to even discover that the knowledge they carry is nothing compared to what there is too learn.

D. Are too busy to realize ***<u>"LIFE" is passing them by.</u>***

Don't Be Most People!!!

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Some people prosper when times are challenging, and some people never do, even in good times. Some people endure serious personal financial storms and come out stronger than ever before; others are swept away. The difference is this: Those who do well in both good times and bad times manage their money from a position of power rather than acting out of hope, anger, regret, or fear. — **Suze Orman**