Mortgage Free
SOLUTION

13 CASH FLOW LEAKS

YOU ARE

WEALTHIER THAN

YOU THINK!!!!

*conglomerate of several sources edited

You are wealthier than you think.

Indeed, even if your income were to stay flat for the next few years, there are ways to make significant advances to your overall cash flow with some simple, concrete steps.

Think about it for a moment. You can make yourself wealthier, beginning today, without working any harder, taking any additional risks, trimming any lifestyle expenditures, or learning any ways of investing.

Here's the best part: It's your money.

You've already generated this income, but until now, you've let stacks of it escape out the door, unchallenged.

No one told you ..... until now.

So without further ado I present 13 financial cash flow leaks that drain your wealth.

How many apply to you?

As you read each item, ask yourself if you're unknowingly stepping in a financial sinkhole and make a mental checkmark.

Don't worry, no judgements here!

1. I don’t monitor my credit score at least semi-annually and take proactive steps to raise it ?- and I assume there are no “errors” on the reports.

CBS News recently reported that 40 million Americans have an error on their credit report, with half of these errors significantly lowering the innocent person’s credit score--sometimes by as much as 50 points.

So even if you’ve always paid your bills on time, your credit score could be costing you thousands of dollars annually.

Raising your score by as few as 50 to 100 points (which is faster and easier than you may think), can help you refinance debt to lower interest rates, reduce many insurance premiums, and possibly even save you thousands in closing costs when buying a home. (A one-point credit score difference --such as a 719 instead of a 720--could cost you as much as $4,500 extra in interest)

2. I don’t distinguish between expenses that are productive/ protective, consumptive and destructive.

The truth is, the only type of expense that is worthy of giving you a negative feeling are destructive expenses. Overdraft fees, using credit to consume, spending on vices, or products or services you don’t use or that don’t add to your life are all are expenses that are best to cut out entirely.

Productive or Protective expenses, however, are how you make money or protect your assets. If spending $1 on a productive expense makes you $2, then I wouldn’t stop spending until that well runs dry. These can be in the same contract with Cash Flow Banking.

Lastly, consumptive or lifestyle expenses are important too. Vacations, dining out, special experiences with your family--these have the power to rejuvenate you and help you to be more productive. And they’re also the reason you work so hard in the first place.

The only caveat is that a consumptive or lifestyle expense must be managed well

3. I rely on one or more investment advisors who are compensated, at least in part, based upon sales commissions.

The retirement planner's ***#1*** interest, because of the way they get paid, is to get your assets under management and keep them there. They'll always tell you to keep funding your retirement accounts, even when a bigger picture of your finances suggests otherwise.

For example, ***if you're paying higher interest on a loan than the interest you're earning on an investment,*** the wise move is to pay off the loan before adding any more money to the investment. **It may even be wise to completely cash out the investment to pay off the loan**.

But the retirement planner rarely looks at the big picture. They will always ask for more cash. That may mean taking money away from your business or from paying off high interest rate loans, and instead, putting them in underperforming investments that ***you don't know or understand***, that don't provide cash flow today, and that harm your ability to be more productive.

4. I meet no more than once or twice a year with my tax preparer.

We find 93% of business owners are overpaying on their taxes, and the number one culprit is not being proactive about meeting with their tax preparers.

January to April, when most people visit their accountant, is a difficult season for tax-preparers to think productively about your tax strategy because they're inundated with filing returns. And even worse, if you didn't prepare your tax strategy before January, there's not very much they can do besides deferring your taxes by putting it in a retirement plan.

(Which by the way, may mean paying more taxes later if tax rates go up or you're making more money.)

If you meet with your tax preparer between mid-April and December, it's easier to get better service. They can make sure you're taking all of your deductions and maximizing your savings.

5. I have not reviewed my business structure (LLC, S Corp, Unincorporated, etc.), with a qualified legal and tax advisor in the past three years or I have not formed a S-Corp for my HOME BANKING SYTEM

Far too often business owners don't incorporate because they think it's too complicated and their accountant says not to. But by not incorporating, you're exposing yourself to more liability and could end up overpaying on your taxes.

The truth is, corporate structure can be outside the expertise of your tax accountant.

So you'll want to meet with a legal professional who specifically understands corporate structures at least once every three years to make sure you're getting all the savings and tax deductions you can.

6. I have outstanding loans costing more than my investments are earning, regularly.

Many (if not most) entrepreneurs and home owners spill away profits and cash flow on poorly structured loans and repayment strategies more than on any other oversight.

<u>It's more wise to choreograph loans to reduce the cost of borrowing, to free up cash for better uses, to save on taxes and to flip what most people perceive as a liability into a productive asset.</u>

This is especially true if you took out any loans when you had less cash flow, a lower credit score, or inadequate collateral.

By restructuring these loans, you can save a lot of money.

Or sometimes you can even consolidate loans, such as student loans, to lower your interest rate, lower your minimum payments and thus increase your cash flow.

It's all about cash flow and avoiding interest in the first place.

7. I am carrying one or more loans. For example: car loans, credit cards, mortgages on your home or your office.

When you have multiple assets each with their own loan, the interest rates you're paying will vary based on the asset class. By refinancing and combining loans, many times you can lower those interest rates. And many times you can also lengthen the term of the loan, which lowers your monthly payment and increases your monthly cash flow.

Then another bonus comes when you take a loan where the interest is not tax-deductible, and refinance it into a loan that is tax-deductible like a mortgage.

This way even the government is supporting you in paying off your loan.

8. I regularly pay more than the monthly minimum on more than one credit lines or credit cards (business or personal).

Far too often, people take a shotgun approach to loans, ***trying*** to pay them down all at once. Or maybe they have some extra money, so they pay a little extra to whatever bill happens to be due.

But as a CASAH FLOW OPERATOR, it's really important to free up cash flow fast. So instead of taking that shotgun approach, it's better to use a focused, deliberate, intentional methodology to choose one loan to pay off first. ***Use the Cash Flow Index***.

What is the ***Cash Flow Index***?

A focused approach, where you pay extra to the least efficient loan that can be paid off the fastest, will improve your debt to income ratio, increase your cash flow and actually improve your credit.

This allows you to qualify for lower interest rates on every other loan, saving you even more money.

9. I have money riding on investments that I am not specifically trained to manage, including stocks, mutual funds, or income real estate.

If you don't know *how you're earning interest*, then who is truly managing your money, and how do you know they're not just **selling you investments that make them a commission**?

If you don't know what the fees are, how the investment benefits you now and in the future, what the exit strategy is, or how it can turn into cash flow, then it's a lot ***more like gambling*** than investing. The best way to invest is to leverage your instincts by staying closer to home with your money. That means only invest in what you know, because everything else involves too much risk.

<u>**You see, risk isn't in the investment, it's in the investor**</u> and how they relate to the investment. For some people real estate is a good investment, and for some people it's absolutely atrocious. A small number of people understand the stock market clearly, and that can be a great place for them to invest their money.

10. My spouse and/or I contribute to a 401(k) plan, IRA or other government sponsored plan.

Most people contribute to a 401(k) to grow their savings tax free, but it may end up costing you more money than you save. Yes, you save on taxes today, but you'll have to pay taxes when you withdraw the money. And all signs indicate that taxes are going up, not down. If you hate paying taxes today, you're probably going to hate paying in the future.

I warn people of the major problems of the 401(k), including: you're not the owner but only the beneficiary of your 401(k), the government can change the rules at any time, you can't get to the money until 59 1/2, and the fees are typically much higher than most investments out there because you've added complexity and layers of administration and legal fees.

A 401(k) is like having a bunch of dishes in one sink, moving the dishes to another sink so someone (the IRS) can't see them for now, but eventually the dishes still have to be done. And the longer you wait, the bigger the mess, the more the mold grows, and the more the stench repels.

11. I put more into my company 401K than their FREE match.

The first question to ask yourself is, why are you putting away extra money that gambles in the stock market, or were you sold that it's a tax advantage? Because if that was the only option your were given for retirement planning, it is the lazy way of planning and the most costly. And it's never wise to let the tax tail wag the dog when it comes to future tax amounts.

But the worst part about overfunding a 401K plan, is if it doesn't perform, you don't get any of that time back to start over. One set back can wipe out YEARS of recklessly throwing money into a "roll the dice" saving plan. That's a big concern.

If you have one of these, congratulations on being willing to save tax now (that will have to be paid later), but it's time to start running for the hills because these things are scary and full of problems.

12. I have saved enough money to elevate my style of living or to fund a long-held dream--such as a special vacation, a boat, or a collectible--but I'm postponing any such expenses until I retire or am closer to retirement age.

As owner of your Home bank, you are your greatest asset. Your ability to produce is going to give you the greatest return. But if you don't take time to enjoy life, and you're just saving and running on the hamster wheel to try to get ahead, eventually you're going to have a phenomenon called diminishing marginal productivity. You simply won't be able to produce at your highest level.

If you can take small trips along the way rather than waiting for retirement, you can enjoy what life has to offer, and then you won't wait to be happy someday, you can live happy now. This empowers you and ultimately improves your family producity results, all while you get to actually enjoy life more along the way.

I once went through a program where they convinced me to take more time off. As counterintuitive as it was, I took twice as many days off one year, and increased my revenue $70,000.

Part of it was that I came back more creative, and part of it was that I became more strategic about what to handle myself and what to delegate through online access of information.

13. I have lost some of my passion or sense of purpose when it comes to work.

Many households or business owners lose passion because they have too many details, tasks and decisions running through them, which takes time away from the tasks that energize them.

If you build a team that supports you in doing the things that you're not only best at, but that also give you more energy, you'll increase your results, your energy, and your passion.

Remember, you're the asset, and if you exhaust yourself to the point of no enjoyment, then you won't have the passion to push forward past the inevitable obstacles every person faces--and it will cost you money.

There is no point value or weighting assigned to these leakages, so you don't need to tally your answers--even one checkmark is cause to make a change. Because each and every leak listed above is enough, by itself, to send your hard-earned profits spiraling into the financial abyss.

(Yes, I realize some of these leaks are highly controversial)

But the good news is that the more items you mentally checked, the more likely you can quickly make yourself significantly wealthier without generating a single additional dollar in sales.

After all, it's your money: you should keep more, grow more, and enjoy more.

Mortgage Free Living is a mindset when you set your mind to it!