optimizing
YOUR FINANCIAL HEALTH

Organizing Your 7 Key Areas of Personal Finances



Tools to help you minimize financial stress and set goals

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Many people know what needs to be addressed but are unsure where to begin. There is a common belief that creating a Will or setting up a Living Trust is not necessary unless one owns real estate or has significant assets. However, if you are in a position to inherit property or plan to purchase real estate in the future then being aware of the protective documents is vital.

Additionally in situations where someone cannot communicate their wishes during a medical emergency, it may be unclear how financial and personal matters will be managed. Similarly, if an individual experiences cognitive difficulty and can no longer make independent financial decisions, there could be uncertainty regarding the handling of their affairs.

The following steps are designed to assist you in structuring your objectives, developing actionable plans, and establishing a clear path toward achieving financial stability.

For best results, it is recommended that this information be used in conjunction with a journal for notetaking and goal setting to improve the implementation of your plan.



1. Understand your early lessons about money

To improve financial circumstances, it is important to first reflect on initial lessons about money. This may involve recalling early experiences, such as asking a parent or caregiver to purchase an item during childhood–whether a snack, toy, or accessory. The response could have been Yes, Maybe, or No - due to limited resources. These responses helped shape your early perceptions of money management and budgeting. The following sections will examine each type of response more closely.



When recalling your early experiences with money, consider writing your thoughts in a journal. This process may help you remember details or information you already know, and additional insights may emerge as you put pen to paper.

Let’s take a closer look at each response.



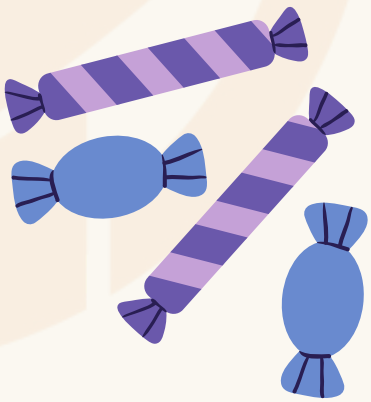
The response, "Sure - toss it in the basket," may indicate that your family's financial situation was sufficiently stable and that your request did not pose a significant burden. This approach fostered a sense of inclusion by demonstrating that there was flexibility in the family budget to accommodate personal preferences.

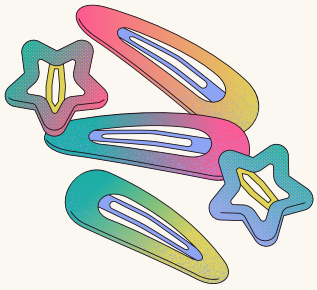
For the response, ‘Let’s see if there’s money left over for extras’ - this suggests that your family had an established budget and paying attention to spending was important. In my opinion, this is the most valuable lesson that can be passed onto young children because it suggests thought and evaluation needs to occur prior to making purchase decisions. It's also inclusive of the child’s wants vs. needs because it isn’t a flat ‘No’ and helps that child feel listened to but further thought needs to be taken into consideration prior to a decision being rendered. It’s the equivalent of a ‘maybe’ which every child appreciates hearing because that means there’s a chance it might turn into a yes.

Lastly, when the answer is a flat ‘No’, that’s painful on many levels. That child hears, ‘there’s no consideration for your wants, you’re not important, we have no money for extras, and you’re just here for the ride so stop asking me questions’. Ouch…

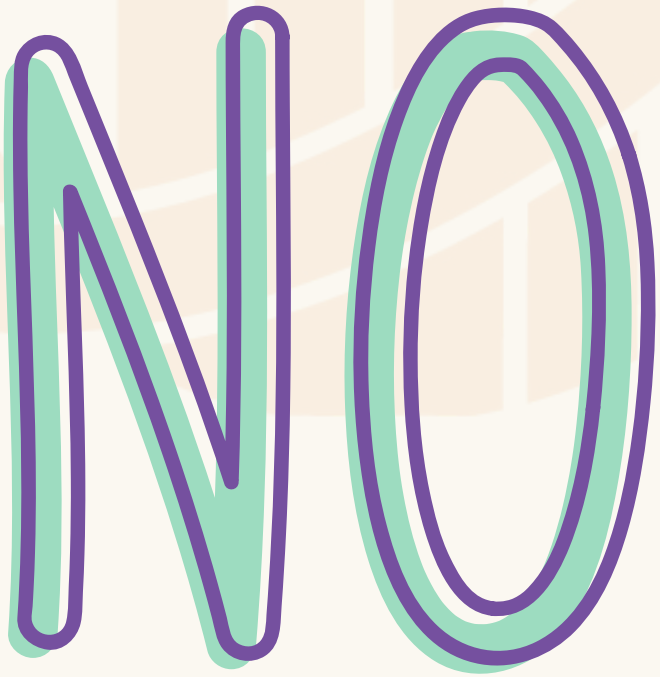
Now let me give a disclaimer - I’m not a therapist, child psychologist or any type of medical/mental professional. But I was once a child and I have children and I’ve read a lot of books about child development - so I’m speaking from firsthand experience of not only having this response been said to me, having said this to my children, as well as witnessing this being said to other children in a store - as I’m sure we all have witnessed at some point or another in our shopping experiences.







I always felt it important to give some parameters to a ‘No’ answer: ‘No, we aren’t buying that today because you always ask for something whenever we go to the store and you have to learn we can’t buy extras each time.’ or ‘No, that is too expensive but if you want to choose something less than $x amount then I can buy that item instead.’ or ‘No, we can’t buy that today but if you save the money you have from your birthday and add it to your other savings then I’ll help pitch in the difference.’ You get the jest of where I’m going here. Each of these more extended ‘No’ responses helps the child begin to understand the importance of budgeting, creating good spending habits, and to me the most important part - that they were heard and their wants weren’t just dismissed.



Economic environments, along with parental or caregiver influences, also contribute to shaping individuals' perspectives on money. For example, the baby boomer generation, whose parents experienced wartime rationing, were often encouraged to save extensively, stock up on canned goods for emergencies, and keep cash at home.



In contrast, millennials are more likely to use digital payment options such as Apple Pay and Google Pay, and many made online purchases during the COVID-19 pandemic when cash usage declined. Both generations have encountered historical events that influenced their financial attitudes and behaviors. Recognizing these economic influences can provide further insight into different perspectives on money management.

2. Create a budget and understand your spending habits

Creating a budget is straightforward, but maintaining it is often difficult and requires discipline. It's easy to justify overspending, especially with the promise of paying later on credit. To help manage spending, include flexible categories like 'miscellaneous' or 'personal treats' in your budget for guilt-free purchases.

Recognize your spending habits—like emotional or late-night shopping—to strengthen your resolve and stay on track financially. Using a spreadsheet or online tool can help keep track of your expenses so it's less of a burden to do it manually. It's recommended to monitor your spending habits over a couple of months to get a good idea of how much you're spending on essentials and discretionary expenses.



3. Emergency savings



Why is it important to maintain an emergency savings fund? Life presents unexpected challenges, and unforeseen expenses can arise at any time. Beyond obvious scenarios such as repairing broken items, emergency savings provide a financial cushion during events like job loss or transitioning to a lower-paying position to pursue entrepreneurial goals.

It also offers critical support if a spouse or partner passes away or in the event of separation.

Additionally, when managing the affairs of parents or caregivers who pass away or require increased care, you may need to cover costs such as appraisal fees, property or vehicle refinancing, or debt repayment to facilitate financing transactions—even if they have their own financial resources.

The potential situations are numerous and varied. Having adequate funds set aside for unexpected circumstances is essential for maintaining financial stability and preparedness.

4. Investments



Consider your savings as a foundational "nest egg," while investing serves as a primary method for building long-term wealth. Through investment, your capital can generate returns via compound interest, working to your advantage over time. In the current economic landscape, relying solely on savings and traditional retirement income may not suffice to meet future financial obligations. This underscores the significance of thoughtful investing.



Recognizing that not everyone is inclined to become a landlord or possesses comprehensive knowledge of the stock market, it is prudent to thoroughly research the broad array of available investment options. Consulting reputable professionals such as Certified Public Accountants, financial advisors, or mortgage brokers can provide valuable insights and assist in evaluating potential opportunities.



When selecting an investment vehicle, ensure that it aligns with your long-term financial objectives. It is advisable to verify references and examine comparable investments to gauge anticipated returns accurately. A well-executed investment strategy should aim to generate supplementary income for retirement.

For instance, an investment property that currently breaks even—where rental income covers expenses—may in a decade, yield substantial positive cash flow. This additional income could be instrumental in ensuring a comfortable retirement, reducing the necessity for supplementary employment.



5. Documents - Putting your affairs in order



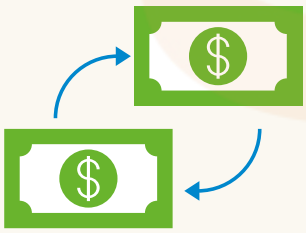
Many individuals are aware of the importance of having both a Will and a Trust, yet may not have taken steps to establish these essential documents. These instruments are particularly critical for those who own real estate, expect to inherit property, or possess valuable collections such as cars, watches, or artworks.

In addition to a Will and a Living Trust, it is also advisable to consider medical directives and a Power of Attorney.
A medical directive provides clear instructions to family members and healthcare professionals should you become unable to communicate your wishes, addressing issues such as Do Not Resuscitate (DNR) orders in the event of non-recovery from a medical procedure or accident. Among these legal documents, the Durable Power of Attorney holds particular significance because it authorizes a designated individual to make decisions regarding your care and finances should your mental capacity decline.

Although contemplating incapacity or end-of-life matters can be uncomfortable, preparing these legal documents proactively is essential. If a Power of Attorney is executed after a diagnosis affecting mental competency, its validity may be contested on the grounds that the individual was no longer of sound mind at the time of signing. Ensuring these documents are completed while mentally competent protects your interests and reduces potential challenges in the future.



6. Income



Income, income, income. The more we make the more we spend! Money is what makes the world go 'round and without it - everything stops, except the spinning in your head. Evaluating your income, understanding your earnings, and comparing your pay rate to other industries/companies in a similar position is vital in making sure what you bring in is covering your expenses.

This where we circle back to your budget exercise. If after reviewing your spending over a couple of months and its determined that no matter how hard you budget the ends just don't meet then it's time to make some decisions.

Do you change jobs, pick up a part-time job, or create a side hustle? Another important analysis is are you taking advantage of tax write-offs you could be getting through real estate or home office expenses if you run a business from home.



7. Retirement

There's already so much information about retirement that truly anything written in this section will be redundant. Instead, ask yourself the following questions. This will help you be better prepared when speaking to your financial advisor.

A. How much will you need to retire comfortably?

B. When do you anticipate retiring?

C. What does retirement life look like? Will you travel? Where will you live? Will you continue to work part-time?

D. Planning for the unexpected - what if you need assisted living care? What happens if your spouse/partner/parent needs assisted living? How will this impact the funds you've saved for your own retirement plans?

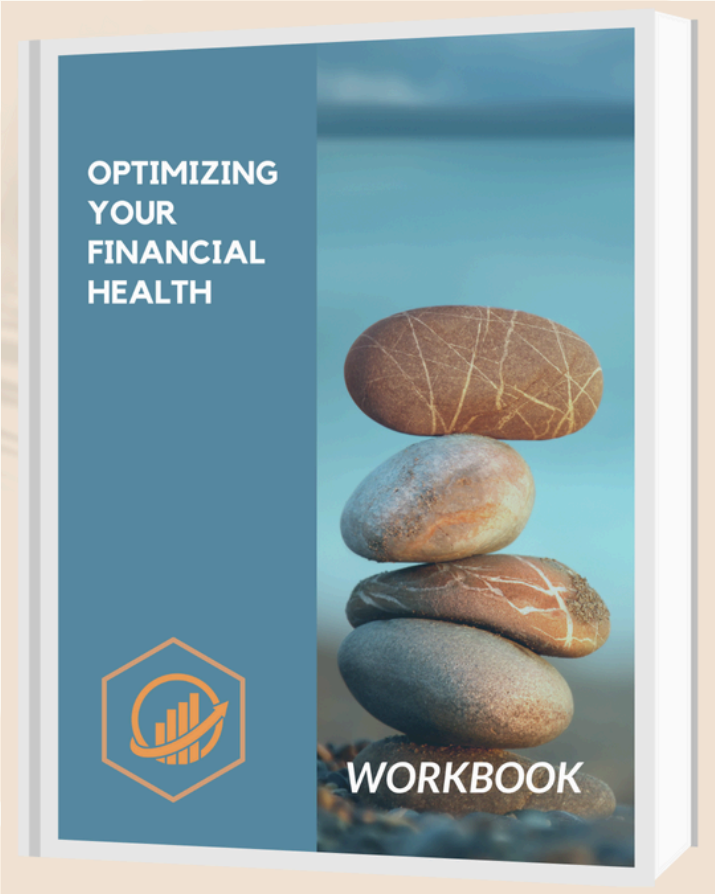
E. If you are self-employed is there a succession plan for your business?







Purchase our workbook for a deeper dive into improving your financial healthand schedule a free consultation!



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