Money Beliefs

Beach Fences © Bob Neiman

Some Questions To Ask Yourself

1. How willing are you to look at your core beliefs and personal values?
   - money issues are completely interwoven with lifestyle issues, personal values, and life goals
   - you cannot get a handle on your money issues if you do not know what direction you are taking in your life, what is important to you, and what is not important
   - Are you able to differentiate your personal values, those that what is really important to you, from what you have been told your values "should" be?
   - Are you inner directed? Do you live your life from the inside, where you determine your direction and values? Are you living your life from the outside, trying to keep up with your friends, neighbors, your internalized image of what your parents thought you should do and be?
   - Do you feel that you are on a treadmill in your career? Have you considered changing your career? Are you burned out at work, at home, in your lifestyle?
   - How much is your uneasy feeling a symptom of your not looking yourself in the mirror and being honest about your past and present circumstances?
   - These issues are fundamentally intertwined with your money issues. If you are not adequately addressing these areas of your life, you will be unlikely to resolve your money issues.
2. How much time and effort are you willing to put into learning about money, saving and investing?
   - learning about money is like learning about anything else
   - it takes time and hard work
   - it doesn't just happen by osmosis
   - the more time and effort you are willing to devote to learning about money, the greater your reward will be
   - how much time did you spend learning how to do your career, a favorite sport, a hobby? Without the time commitment, you will never be able to learn about money.
3. What is your risk tolerance?
   - risk that your investments will go down in value
   - risk that you will loose your money
   - risk that when you retire that you won't have enough money put away
   - risk that you will outlive your retirement nest egg, that you will run out of money before you die (as life expectancy goes up and retirement age stays the same, you need more principal to ensure yourself adequate income for the 20 to 35 years of possible retirement – age 65 to 100)
   - if you are unwilling to risk anything in your money, you might end up risking everything
4. How committed are you to saving money?
   - savings comes at a cost (are you willing to give up restaurant meals, expensive vacations, a new car, a second car, your current house for a smaller one, clothes?)

- savings helps you get away from the day to day money struggles, living from paycheck to paycheck
- failing to save money drains your energy and causes a lot of family and personal stress
- you end up in a viscous circle when you fail to save – never having enough money and always worrying about money

5. How do your financial items affect your savings ability? Look at your lifestyle, debts and debt repayment, savings, asset mix, insurance, and taxes. They all interact and they affect your savings.
   - Does your lifestyle make it impossible to save?
   - Do you have enough or too much life, disability and other insurance?
   - Are your debts too much to handle? Can you sell any assets using the proceeds to pay off a debt and reduce your monthly payments?
   - Do you often take money out of your savings to spend on things that you "need to have" and regret it later?
   - Are you focusing on saving taxes to the exclusion of saving money?
6. Keep a running tab on all your spending. Get a pocket spiral notebook and write down all your spending, every last penny, for a month. In addition to telling you where you spend your money, it will tell you where you might want to cut back.
   - a pocket spiral notebook costs less than a dollar
   - is your financial "fog" too scary to step out of?
   - What is the risk of doing this exercise? If you try this, you might have to confront the fact that you dribble your money away without thinking.
   - What is the risk of not doing this exercise? If you don't start to learn about money, you may well be in the same situation when you retire.

“Money Is Something

We Choose

To Trade

Our Life Energy For”

Joe Dominguez and Vicki Robin

From “Your Money or Your Life”

<u>Money History Questions</u>

1. What stories were told in your family about money? Were these stories told in a positive or negative light?
2. What messages did your mother give to you about money?
3. What messages did your father give to you about money?
4. Did you ever worry about money while growing up? What did you say to yourself when you were worrying?
5. What were the one-sentence “lessons” you learned about money while growing up? Who spoke each of these lessons? Which ideas did you accept? Which did you reject?
6. What were your first experiences with spending money? Did you have to work for your first spending money or was money just given to you? What feelings do remembering these experiences bring up?
7. What did you feel and experience when spending money on cars, homes, insurance, stocks, bonds, lawyers, brokers or financial planners, legal papers, and banks? What messages did you carry out of these experiences? Do you respond to the same messages today?
8. How have your beliefs about money hurt your life or caused you suffering?
9. How do you still make choices based on your old money beliefs now? Do you continue to want to live by these messages?
10. When did you first discover that your family had more money than some people and less money than others? How did that discovery feel?
11. When did you realize that you were going to have to work for a living? What feelings did/do you have about working for a living?
12. Have you given up on finances and money out of resentment or despair?
13. As you were growing up, did you ever make a vow about money? What incident gave rise to these vows? What feelings did you experiences at that time? How long did you keep repeating those vows? Did your feelings change over time in relation to the vows? What feelings come up in you now as you recall these incidents and the vows you made?
14. What difficult feelings do you experience about money in your current life?

Success
is deciding
from the start
what end result you
want,
and
creating the
circumstances to
realize that result.

Money Belief Questions

The following questions are designed to get you thinking about your money beliefs and money knowledge. Write your answers down. Be specific.

1. What do you do when you are presented with an opportunity to learn more about money? Do you resist, procrastinate, and avoid learning?
2. Are you in denial about money? Do you seek to learn as much as you can to make money a smooth flowing part of your life?
3. Do you have a clear vision of your goals? How do you intend to create and maintain a vision of your future?
4. How clear are you about the time frame needed for accomplishing your goals? Are you realistic?
5. How well do you understand the steps you need to take to accomplish your goals?
6. How has your vision and your understanding of your life-path changed over time?
7. How has your learning and knowledge about money changed over time?
8. How have your beliefs about money changed over time?
9. What will you do to change your beliefs, learning and knowledge regarding money in the future?
10. What is your present financial status? Do you know your net worth? What is your monthly income? What are your assets? What are your debts (liabilities)?
11. What percentage of your current income is used for fixed overhead? How much of your expenses are discretionary?
12. Do you prioritize when it comes to spending money?
13. What are your future financial needs?
14. Do you stand to inherit money? How much? Are you counting on a future inheritance to "bail you out" of your current or future financial situation?
15. Have you made a budget? Do you adhere to it? Do you spend more money than you bring in?
16. When you make major changes in your life, do you attempt to get a handle on the financial implications of your actions?
17. If you know your knowledge is weak in a specific area, do you seek to learn more either by self-study or professional help?
18. What do you do to stop yourself from reaching your financial goals?
19. Are you saving enough to meet your goals?
20. How does having or not having financial choices impact other areas of your life?
21. What sacrifices are you willing to make to achieve greater choice and financial independence in your life?
22. Do you spend money based on what other people spend money on? Do you spend money to impress others? Do you try to "keep up with the Joneses?"
23. How much have you aligned your spending decisions with your personal goals and life purpose?
24. How are your spending habits helping or hurting achieving your life goals?
25. Do you feel in-control, or out-of-control when it comes to money and finances?

Becoming Financially Independent Is The Process Of Expanding Choices In Our Lives.

By Lowering Overhead And Debt, Prioritizing Our Spending, And Saving Money, We Live Our Life In Greater Balance, Reduce Stress, And Expand Our Inner Freedom.

Material – Spiritual Dichotomy

We live in world of materialism. There are messages everywhere to "buy now" and peer pressure to out consume our neighbors and friends. Other people are looking for spirituality in their lives. They pursue religion and renounce accumulating possessions. Many of us either worship materialism or we worship spirituality.

It is very easy to see the world in terms of either-or. However, life is not just black and white. Perhaps many of us have created a false dichotomy on this issue. If we worship materialism, we tend to ignore the spiritual aspects of our lives as unimportant. If we worship spirituality, we tend to look down at material things.

Instead what we should be looking for is balance. Take a few moments to reflect on the following questions:

1. Write down some of your core beliefs about materialism and spirituality.

2. How do you balance your material needs with your spiritual needs?

3. If you worship spirituality, how do you stop yourself from creating financial affluence in your life?

4. If you worship materialism, how do you stop yourself from allowing spirituality to influence your monetary decisions?

Consider the following:

What would change in your life if you made savings a spiritual discipline?

Saving Money Is A State Of Consciousness.

It Is A Decision We Each Make,
Or Fail To Make.

It Is Not A Function

Of Your Income.

Your Ability To Save

Must Come From

An Inner Decision.

If You Are A Saver,
You Will Find A Way To Save
At Any Income Level.

More Income Will Not
"Make" You A Saver.

The Only Correlation Between
Income And Savings
Is "How Much?"
You Can Save
If,
You Have A Savings
Consciousness.

FINANCIAL OFFENSE AND FINANCIAL DEFENSE

There is a lot of confusion in our society about income and wealth. During the 1980's and well into the late 1990's, the upper middle class experienced tremendous growth in income levels. Professionals and small business owners have seen their income rise well into six figures. Cruise through any upper middle class neighborhood in the suburbs and you will see very large homes, expensive cars, and other costly items purchased by these high income individuals. Seen from the outside, it appears that these folks have lots of money, that they've "made it" in America.

Yet the reality is often very different. Many of these people have huge mortgages on their houses. They have lease payments on their cars, boats and second homes. Given the amount of their incomes, they have a relatively low net worth. Net worth is the current market value of your assets minus your debts. Their savings and liquid assets are low to non-existent. Many are one or two paychecks away from homelessness. If they were to get laid off at work, they would be upside down within a short period of time. What is going on here?

We look upon these people as upper middle class wealthy individuals. Many of them seem to be "rich". Yet behind the toys and "stuff" they own and proudly show off, there is a high cash inflow, but an equally high cash outflow. The income of these people is very high. They play good financial offense. They make incomes well above the average American household income of $35,000.

However, their financial defense, how much money they save, is often very low. They simply spend most or all of their income. The only difference between this neighborhood and more middle class neighborhoods is that they have more income to spend and therefore have more and costlier "stuff".

Financial defense is an entirely different game. It is also the more important game to play well. Defense has to do with how much of your income you save. That means the money gets put away for the future. It gets invested so that it returns income and gets accumulated over a long period of time. Financial defense, through saving and investing money in income producing assets leads to wealth. Wealth is having money in investments which pay an income. Wealth is having little debt. Wealth is having liquid assets which can be converted to cash, but generally aren't except in emergencies. Wealth is not having to work.. Wealth is being able to live off your investment income and maintain a satisfactory lifestyle.

Earning a lot of money and being wealthy are different. A large income is simply that, making a lot of money. Being wealthy means having assets that produce income. Creating wealth involves increasingly being able to live off your investment income rather than having to work.

Asset-Based and Income-Based Wealth

There are two kinds of wealth in this country, income-based wealth and asset-based wealth.

Income-based wealth is characterized by a high income and high consumption lifestyle. Income-based wealth people make lots of money. They tend to spend most, if not all, of what they make on expensive consumption items. These include large houses, expensive cars, fancy clothing. People at the extreme of income-based wealth look like they have "made it" but have nothing saved for their future.

Asset-based wealth is characterized by high net worth, living below their means, good savings rates, and moderate consumption. The asset-based wealthy tend not to live in the largest houses. They don't drive expensive cars or wear fancy clothing. They often look very middle class. However, they tend to be good savers and accumulate investment capital over their lives.

According to Stanley & Danko, authors of "The Millionaire Next Door," the seven factors for people who become millionaires in our country are:

1. They live well below their means.
2. They allocate their time, energy, and money efficiently, in ways conducive to building wealth.
3. They believe that financial independence is more important than displaying high social status.
4. Their parents did not provide economic outpatient care.
5. Their adult children are economically self-sufficient.
6. They are proficient in targeting market opportunities.
7. They chose the right occupation.

"Wealth doesn't come

from what you make,

but from what you don't spend."

Barbara Stanny

COMPLEMENTARY EXPENSES

When you buy certain items or incur certain expenses, other expenses become necessary to support or go with the initial expenses. Essentially, groups of expenses are "bundled" together. If you incur one, you will likely have to incur another. This is the concept known as complementary expenses.

Most of the time when we are looking at making a purchase of some large item, we simply ask if we can afford the price of it. Based on our income the answer might be yes, we can afford the purchase. However, rarely do we look at the complementary expenses that accompany our new purchase. These expenses can often be significant in relation to the cost of the item and more importantly, can impact our overall financial program. By examining these bundled or complementary expenses, we can get a more accurate idea of the complete cost and the financial consequences of our purchase. Hopefully, by looking at these costs and consequences, we can then make better decisions about our finances.

Most people in our society want to own their own homes. Frequently, I am asked whether they will save money on their taxes by buying a home rather than renting. Asking about tax savings is not the right question that they should be asking. On a strictly financial level, the correct question is "will I have more or less discretionary funds available by renting or owning a home?" The analysis is as follows: On one side you look at your current rent payments. Compare your rent to the following expenses: Take the mortgage payments, taxes, and insurance and deduct the income tax savings. Next add in the expenses you will likely incur to get your new house ready for your use. These include any remodeling costs, all the new kitchen gadgets, shelf liners, and other accessories. Also add in the increase in any utility bills, lawn and garden maintenance costs, additional cleaning costs, and any other costs that might increase or be incurred as a result of living in the home. Once all these costs of owning a home are factored in, including the substantial complementary costs, renting is usually far less expensive. I'm not suggesting that we should all go out and become renters. My point is that most people ignore the true expenses that come with home ownership when they look at purchasing a home. By failing to look at all the expenses, they may make a decision that stresses their finances.

Similarly, when people are deciding whether to move into a large expensive dream home in a premium neighborhood, they usually just look at the increase in mortgage payments less the additional income tax savings. Again, the dream home may be very affordable based on their income and the bank may be very willing to loan them the money. But what effect is the increased mortgage costs as well as the complementary expenses likely to have on their financial accumulation program? Dream homes in nice neighborhoods can have a tremendous amount of complementary expenses. Some of these expenses might include things such as: lawn and garden services for the increased lot size, house cleaners for the increased home size, more expensive cars, country club dues, private school tuition for children, a larger boat and other items that you would need to "fit in" to the lifestyle of the neighborhood. Again, I'm not saying that you shouldn't spend money on these items or make the move up to your dream home. The issue is to be aware of these increased expenses before you make the move and factor them in to your decision. Because these bundled complementary expenses can be significant, you need to make sure that you can achieve your financial goals in your new home.

There are many other examples of complementary expenses. Someone who is looking at private school tuition for a child also needs to factor costs of commuting as well as clothing and accessory costs for children. A job in a high rise office building in downtown will mean more commuting costs, possibly more expensive dress clothes, and higher costs for meals at work. Buying a large boat comes with insurance, repair and maintenance costs, winter storage, moorage fees and other costs.

When deciding to make any large purchases take the time to look at any bundled complementary expenses that you might incur with the new purchase. If you are less able to save money or pay off debts and you can still work your plan with the purchase, make the purchase if it is a high priority and you are willing to live with the consequences. However, if you have little savings, high debt loads, and no financial cushion, the financial consequences of the purchase can include not having enough money to pay your taxes or other personal expenses. By estimating the true cost of the purchase including complementary or “bundled” expenses, you are in a better position to determine whether you are willing and able to live with the changes in your finances.

There once was a baby circus elephant who couldn’t break free from her leg chain, though she tried and tried. Eventually, she gave up. Years later, she still had that little chain around her leg. Although she was strong enough to break free, she had long since accepted that she could not. Emotional chains, after all, are the hardest to break.

If you keep doing what you're doing,

you'll keep getting what you're getting.

The Definition of Insanity:

"Doing the same thing over and over

and expecting the result to be different."