

TOP 14 LIST

14 Financial Principle\$ for a Prosperou\$ 2011

Plan your work and work your plan

As the old saying goes, if you don't know where you're going, any road will take you there. Although, you certainly don't want just any road to take you to your retirement. Make it a priority to set aside time to do some retirement planning. First you need to know where you stand financially today, and then you need to understand what it will take to get you the life you want to lead during your Golden Years. Get started by going online to www.finra.org and use their retirement calculator, then schedule an appointment to meet with a financial professional to discuss your personal situation.

Pay Yourself First

No one likes paying bills, but what if you were on the receiving end of that payment? Each month when you sit down to pay your electric bill, your TV bill, your car payment and your mortgage, make sure to write yourself a check too. Write a check to your investment account, to your savings account or even to your IRA. Physically putting yourself on your monthly list of payments ensures that you are systematically saving money each and every month ... for the benefit of YOU.

Create a Personal Cash Flow Statement

And you thought cash-flow statements were only for businesses. Not true. Create one for yourself and you'll get a real clear picture where your money goes each and every month. It doesn't have to be all that complex, simply create some categories and match up your monthly debit card statements and receipts, or do it online at end of each week. Do this for 3-months and you'll easily be able to see where you've been spending frivolously.

Simplify things with Grade School Math

Saving money each month is really nothing more than realizing what amount of money you (and/or your spouse) bring home each pay period (the "net monthly deposit") versus what your monthly expenses and spending is (finding the "net monthly withdraw"). The difference between the two is your disposable income. If your number is negative, it's a clear indicator that you're ringing up debt by spending more than you make. "Money In" minus "Money Out" ... easy math.

Get Financially Organized

No matter how old you are, it's never too late to get a clear understanding of your financial circumstances. And the only way to do this, is to first spend time getting organized. Know exactly where everything is. Look to consolidate debt and/or combine investment accounts and IRA accounts. Cut back on the clutter, and streamline the number of monthly statements you receive. You're not only doing this for your own sanity, you're also doing this to simplify things for your loved ones – those who will be around when you no longer are.

Invest in Something that Pays You

Invest in something that pays you a nice dividend each and every month. The compounding effect created can grow your amount exponentially. Think about it. If you invest \$10,000 into something that pays 5% and you reinvest it, you will essentially be buying \$500 more if it each year (or \$41.67/month). And that \$41.67 just bought 4.167 more shares ... that, in turn, are each paying you 5%. The following month you would be buying even more additional shares, and even

more the next month. And so on, and so on, and so on. Run some numbers on a calculator that can perform a compounding function and see what amount you need to invest to reach a particular target or goal.

Be the Retirement Plan Specialist at Your Work

This doesn't mean that you need to get licensed to become a financial professional. What it does mean is that you need to know your retirement plan at work (ie. 401k, 403b, Pension Plan, etc.) inside and out. Know your investment choices and know what makes them tick, know your companies matching policy, know your loan provisions, know how often you can make changes, and know your safe investment choices. Make sure your plan meets your needs. Meet with your HR department or have them put you in touch with the company that administers the plan. That's why they get paid.

Have an Insurance Analysis Performed

When is the last time you had someone look at your insurance policies? Like any consumer product, great improvements are made just about each and every year. So, if it's been 10-15 years since you bought your life insurance policy, there's a great chance that you may be able to get more coverage for a lesser premium. What about Long-Term Care? Does your policy have a provision for extended stays in a nursing facility? These exist now. What about the insurance on your home. Does your insured amount correctly reflect the value of your home? Spending time getting your insurance "right" is time well spent.

Understand the Phrase "Cash is King"

Most of us have heard the phrase, but one needs to understand it. Cash builds your balance sheet. Cash is liquid which affords you confidence when an unforeseen need arises. Cash allows you not to wreck havoc on your long-term planning because of a short-term need. Cash, despite it not paying you much these days, needs to be the base of your financial pyramid. Cash allows you to take advantage of good financial opportunities when they arise. BUT, you need to get your debt under control before building up that 3-6 month "emergency cash fund". Hoarding cash while you get zinged with high interest on credit cards isn't very financially savvy.

Maximize Your Retirement Savings

Too many people only put in what their company matches when it comes to saving via their retirement plan at work. Not the smartest idea. Just because you get the "free money" from your company match, don't stop there! Saving through a retirement plan at work is by far the best way to save for retirement. Run the numbers. First, the money comes out "pre-tax" from your paycheck, and then it grows "tax-deferred". That's a double-plus, and there's no other place you can get that type of deal. Before you invest another penny outside of your retirement plan, be sure you're maxing out your plan at work. Anytime Uncle Sam is going to give you that kind of deal ... you take it!

Get Creative with Your Debt Strategy

If you're suffering from Debt-Overload, you need to create a plan. Simply saying "I'm going to pay down my debts", won't work. Get a clear understanding of your debt picture, and align each source of debt with its corresponding interest rate. Obviously you want to pay off the debt with the highest rate of interest first, but maybe you can eliminate it all-together by consolidating that particular debt to a lower interest source. Create a yearly calendar with graphs and illustrations that show you are paying down each debt as the year progresses. Graphics are visually more appealing than the written word, and this may help you to better accomplish your goals. Hang it where you see it every day, whether at work or at home. Reinforce this goal daily.

Create Your Vision

Whether married or single, set aside time to visualize your perfect retirement. If you think this is silly, think again. The greatest athletes use visualization before each game. The most successful business people and most innovative creative

people are considered “visionaries” – this is not by coincidence. Why would it be any different you? If you don’t know EXACTLY what you want, how on earth are you going to get there? By chance? By luck? No way. You need to know exactly what you want your retirement to look like – visualize it. See it. Be there. Then write it down. Every detail. Share it with your spouse, and/or a friend and ask them to describe it back to you to see if they get as clear and as accurate a picture as you visualized. If not, get more detailed. Then review that vision regularly. This will keep it in the forefront of your mind, and help you to become more disciplined in doing what it takes to bring you to that perfect retirement.

Do a Financial Check-Up from the Neck-Up

The only person you fool when you make excuses for your bad spending habits (or poor saving habits), is yourself. It’s time to get honest with yourself, plain and simple. Do you over indulge in too many luxuries? Is the car you drive above your pay grade? Are you driven by designer labels? Do you have a little case of “keeping up with the Jones’s” fever? We’re all entitled to “splurge” a little every now and then, but splurging by definition is not a constant occurrence. Look to get more frugal in the New Year, and begin to find more pleasure from watching your net worth grow rather than from buying that new pair of shoes or electronic gadget.

Print this List, and then Schedule on Your Calendar to Re-read this List

You know why New Year resolutions never seem to work. Because we write them once, and forget about them. You need to reinforce new behaviors and revisit good habits time and time again. Most people have great intentions yet poor follow-through. Make it a point to revisit this list of “Financial To-Do’s” by literally re-reading this list. When? Often. Why not schedule to re-read it 21-days from today (new habits usually take at least two weeks to gain traction). Give yourself three weeks, and see if you’ve made any progress on any of the other thirteen items. Then schedule a recurring task (you can easily do this on a computer based or electronic calendar) to revisit it once a month for the entire year. Hopefully as the year progresses, you can check completed items off the list. Don’t let this be a one-and-done, quick shot of inspiration only to have it exit your mind and your life forever. You need to be disciplined in bettering your life financially, and scheduling time to review your progress will dramatically increase your chances of reaching your own financial goals.

Begin now to implement these 14 financial principles and you’ll be on your way to having a healthy and wealthy 2011 !

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