

PERSONAL FINANCIAL STRATEGIES

RICHARD C. STEELE

WHAT IS INSURANCE
HOW IS INSURANCE SOLD
RENT OR BUY
TYPES OF MORTGAGES
WHY SAVE AND INVEST
CANADA SAVINGS BONDS
WHY BUY STOCKS
WHAT IS A MUTUAL FUND
DO I NEED A WILL



PERSONAL FINANCIAL STRATEGIES

Richard. C. Steele
Fanshawe College



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Preface

Thirty years of my life had passed before I began to realize that money was simply more than a means to satisfy immediate wants. Although I had completed four post-secondary years of a business program, I felt completely inadequate to the task of personal financial management.

I thought that financial planning was an activity left to the rich or retired. Being neither, I had an exemption from the need to plan my financial future. What I soon realized was that financial security was directly related to financial planning, and success with your dollars was a function of knowledge. Failing to learn and plan was equivalent to planning to fail. And no one consciously plans to fail—or do they?

You have probably heard that it takes as much energy to fail as to succeed. Then why do so many people needlessly fail in their financial lives? Statistics lend support to the fact that over 80 percent of Canadians at retirement will rely on the inadequate social security net for the major source of their support through their "golden" years—a sad commentary on an unnecessary situation.

Ignorance is not bliss—especially in financial matters. Why do our educational institutions spend so little time to prepare for personal financial success? Probably for the same reason they spend so little time teaching other essential life skills. It is incorrectly assumed the skills will be learned automatically through positive life experiences.

My personal financial education began through the school of hard knocks since it was the only school available at the time. My first bad learning experience not only cost me thousands of dollars, but also put my family at serious financial risk.

The object of this publication is to provide you with financial strategies so that you do not become a victim of the money game.

Good planning leads to financial freedom. Make the choice to . . .

PLAN TO SUCCEED!

Richard C. Steele
Fanshawe College
March, 1996

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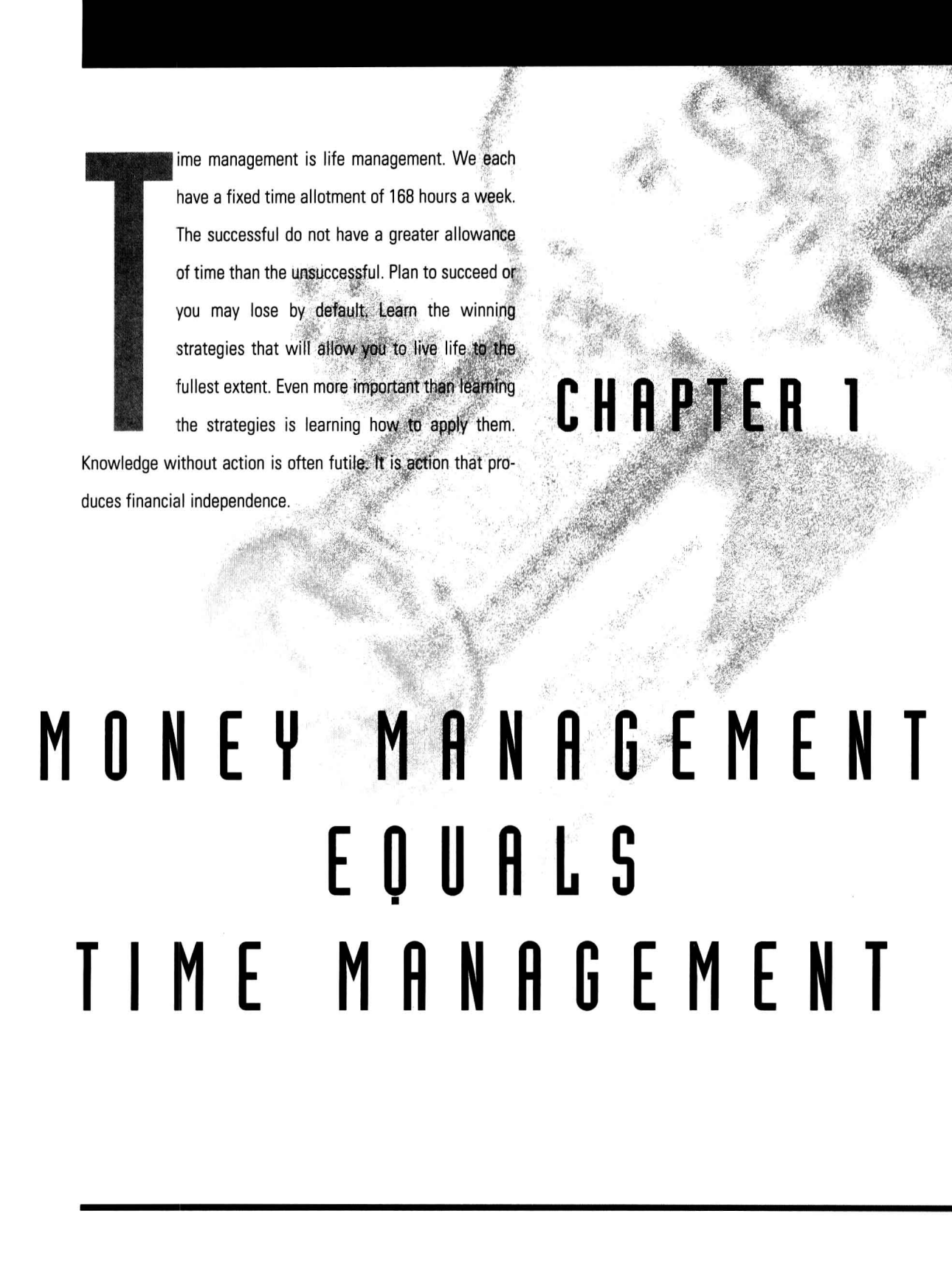
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Time management is life management. We each have a fixed time allotment of 168 hours a week. The successful do not have a greater allowance of time than the unsuccessful. Plan to succeed or you may lose by default. Learn the winning strategies that will allow you to live life to the fullest extent. Even more important than learning the strategies is learning how to apply them.

Knowledge without action is often futile. It is action that produces financial independence.

CHAPTER 1

MONEY MANAGEMENT EQUALS TIME MANAGEMENT

Did you know that in just two days tomorrow will be yesterday? How time passes!

THE END OF KNOWLEDGE SHOULD BE ACTION.

Yesterday is a
cancelled
cheque.

Tomorrow is a
promissory
note.

Today is ready
cash. Use it.

—Anon.—

You have heard it said that time equals money. In a real sense it should be reworded to say that time equals opportunity. Time is an important asset that should be used as the raw material to achieve our current objectives and our life-long goals. People often complain that they cannot find the time for anything. Time, however, is never lost. It is always there. If we want time, we must plan for it.

This may seem an unusual chapter to include in a text on personal finance. It has been included to emphasize that efficient time management skills are essential to the effective management of our personal resources. This includes the successful management of our money.

REMEMBER THAT TIME IS OPPORTUNITY.

Winning the Game

At first, it may seem strange to think of personal financial management as a “game” to be won or lost. We tend to think of games as activities on a sports field, or around a card table. Money management is like a game, however, because there are certain strategies or rules we can pursue which should guarantee success over the long run. Most people think they have the option to decide not to play the game. Unfortunately, these people simply lose by default because the game still goes on without them. Their decision not to play is a decision that guarantees failure.

INDECISION IS A DECISION.

The first step towards achieving success with our personal, academic and financial lives is to understand how we might control and manage our time.

The Management of Time

Money management is, in a way, really effective time management. Time is a commodity which is potentially an equal-opportunity employer. Although some people

For a ship that
has no port, no
wind is the
right one.

—Seneca—

have more money, no one has the advantage of more hours in the day. We are each assigned the same number of hours. How we use the hours is the raw material of potential success. Unfortunately, many people allow time to manage their lives rather than managing time to achieve their personal priorities.

Seminars and books on the subject of time management are plentiful. Corporations hire consultants to train their employees in the art of efficient time control. They realize that the systematic allocation of time makes the employee more productive because it avoids many problems caused by ineffective time-management habits. It also makes work easier and more pleasant.

Ten Rules of Effective Time Management

1. Maintain Daily To-Do Lists

Develop the habit of writing down your daily to-do list. This will help you focus on what you wish to achieve each day. It will also assist in maintaining control over your priorities. If we don't set our own priorities, our day will default to the priorities of others.

A study of people who are financially successful credit this simple but effective strategy for a major part of their success. Each day they determine how they are going to use the available hours by writing down their daily objectives in their journal. Then they number the objectives to establish priorities of accomplishment.

Alan Lakein in his book *How to Get Control of Your Time and Your Life* suggests an "ABC" system to set up priorities. He suggests placing a capital letter "A" beside those items of high value, "B" beside items of middle value and a "C" beside low-value objectives. Obviously, we should try to achieve as many of the "A" items as possible. But what do we often do? We begin with the items of "C" value because they are either "nice-to-do" or "easy-to-do." Our more important or "must-do" objectives become victims of our personal weakness to do that which we perceive to be more valuable at the moment.

Make a daily to-do list a habit of your life even if your daily objective is simply to go fishing. It is as important to plan your leisure activities as it is to plan your financial life.

PLAN TOMORROW TODAY.

2. Set Goals and Objectives

Continually identify goals and objectives. What is it that we wish to achieve with our time and our life? Objectives are often the short-term accomplishments that help us achieve our longer-term goals. For example, the accumulation of \$30,000 in the next five years for the purchase of a home might be our goal. The objectives would include the financial decisions that must be made to achieve the savings goal. Successful people plan their success. Plan to succeed.

3. Set Priorities

Establish achievement priorities. Determine what is the most productive use of your time now. Don't spend prime time on secondary objectives. Although setting priorities will identify what is important to be done, it is even more significant in that it will eliminate what is not important.

We can't do everything at the same time. In fact, if we try we often end up achieving only a level of frustration which interferes with bringing our time under control. We must plan our work and then work the established plan.

We can categorize our objectives for what we want to achieve with our time in three ways: (1) must-do or urgent, (2) should-do, and (3) nice-to-do. There is a tendency to concentrate on the nice-to-do items simply because they are easy to do and we like doing them. In truth, we could probably ignore them completely without major consequences. Watching television tends to fall into this category. We enjoy the activity, but it may not be the best use of our time at the time.

TV SERVES BEST AS A TRANQUILLIZER.

Television tends to shift the mind, at best, into a neutral mode or, at worst, off completely. Don't try to use the tube as a warm-up for productive activity. It serves better as a tranquillizer. According to statistics, the average Canadian spends (not invests) over 25 hours per week as a couch potato in front of the TV. Consider for a moment how that time might be used to pursue other, more rewarding, must-do objectives.

Are You Hooked on the Wonderful World of Video?

You have had a full day on the job or at school. You have just finished dinner. Your body is craving a little rest and relaxation. You know you have an assignment due tomorrow, but

you have earned a little diversion; it has been a busy day. The television is already at the watch position: you joined the TV-slave society years ago by learning that the tube must be on whenever you are present. So why not relax for a few minutes before getting down to work? The hook is out and you have been snared.

4. Begin

Make the decision to start the job. Avoid spinning your wheels with one of life's biggest time-wasters: procrastination. The most difficult part of any job is the job of getting started. The only way to overcome this inertia is to plan to BEGIN. Make an appointment with yourself in your planning diary to take the first step. After all, the longest journey does begin with a single step.

B E W I S E , B E G I N .

It is also important to complete the projects you begin. An observation has been made that a job well-begun is a job half-done. Once you start a job, either complete it or take it as far as you possibly can. Duplicating start-up time often wastes time because it duplicates effort. If the job is too large to complete at one time, break the large job into smaller components which you can complete more easily.

5. Set Completion Deadlines

Set completion deadlines for tasks to be finished. Parkinson's Law suggests that the time required to complete a job expands to fill the time available. Set a reasonable time to complete the job at hand, then strive for closure.

6. Concentrate and Realize the Value of Uninterrupted Time

Recognize the importance of uninterrupted time to achieve today's objectives. Don't let the demands of others set your priorities. Many people find that working at home allows them to concentrate on the job at hand. Try to control the interruptions of life. Start-up time on a job is often substantial. Momentum may be lost. Identify your prime working time in the day and reserve it for objectives of high significance.

7. Don't Be a Paper Shuffler

Handle each piece of paper only once. Make a decision. If in doubt, throw it out. Don't allow indecision to turn your desk into a paper drive. If you need the information for future use, file it where it can be easily retrieved.

8. Learn to Delegate

We soon learn in life that we cannot do it all ourselves. By delegating to others we have more time for our own high-priority tasks. Don't fall into the trap of assuming that nobody except you can do a quality job. Learn to delegate.

9. Become Effective Rather Than Efficient

At first glance, the two words seem to mean the same thing. The world, however, has a surplus of efficient people, but fewer who are really effective. The efficient person does the job right; the effective person does the right job. Concentrate on becoming effective in the pursuit of your goals in life. Identify the job that needs to be done, then do it. Do the must-do jobs now; leave the nice-to-do jobs for a later time.

EFFICIENT PERSONS DO THE JOB RIGHT.
EFFECTIVE PERSONS DO THE RIGHT JOB.

10. Develop Learning Skills

Learning skills are really “learning-how-to-learn” skills. These proficiencies are essential both in school and throughout the lives of most people who wish to earn personal and financial success. Unfortunately, many never learn how to learn. It is assumed that we will gain these skills in the same way we learned how to breathe. It is essential that we determine how we best assimilate information. A few simple but practical suggestions include:

- **Preview.** Determine in advance what the seminar or topic for discussion will be. Include this on your to-do list for review the night before.
- **Listen.** Listening is a skill which can be developed by a learner. Seat yourself where you are able to concentrate, usually near the front of the class. Focus attention on the main message of the speaker. Ask questions when the opportunity presents itself. Write down a summary of the main points. Learning is often a function of effective listening.
- **Take Notes.** Many students offer a number of reasons for not taking notes in class:
 1. My neighbour is not taking notes.
 2. I don't know how to organize my notes.
 3. It's all in the text.
 4. I'm confused.
 5. It's really not important.
 6. Insert your favourite reason here.

Effective note-taking is important as a stimulant to the learning process. It keeps your mind at a high level of awareness. Even TV viewing would change from a soporific experience if we were required to keep notes. Add a reminder to your to-do list to organize the day's notes that very evening.

- **Personalize Your Textbook.** Transform the textbook into a useful study tool by developing a system for marking important information. Underline the questions rather than the answers to the questions. The book should encourage us to think rather than simply to read the author's answer to a question or a problem. Make

notes in the margins. Circle any thoughts that need further clarification. Do not use the hi-liner as a decorating tool; if the author had wanted the pages to be pink he would have selected that colour for the paper.

- **Ask Questions.** Most instructors welcome questions from the listening audience. Be prepared to ask for clarification of information at any time. An active listener should also be an active questioner.
- **Review.** Before each class, review the information from the previous class. Prepare any questions for clarification.

PLAY TO WIN, OR LOSE BY DEFAULT.

The Short - and the Long - Term

Without the short-term there is no long-term, since the long-term is really a series of short-terms. Many people claim to live their lives on a day-by-day basis. That's fine as long as they realize the danger of being too focused on the short-term. It may interfere with the achievement of significant long-term goals. Do you know someone who claims that a major goal in life is to own a home (long-term) but who continues to sabotage this objective by a regular decision to buy a new car (short-term)? Is the long-term gain worth the short-term pain? Sometimes short-term sacrifices are needed to achieve long-term goals.

DON'T ALLOW THE SHORT-TERM
TO INTERFERE WITH THE LONG-TERM.

The Daily Journal

If you plan to do it, write it down to be sure it becomes part of your focus of activities. Diaries or daily planners are essential for control over our personal schedule of meetings, telephone calls and anniversaries, and to remind us of what we plan to do with the day, the week or the year. We can also use them for miscellaneous notes and thoughts, including a place to record tax-deductible expenses. An all-purpose book might include room for our credit cards and cheque book. Many business people won't leave home without their daily organizer. It allows us to exercise some control over our lives rather than allowing circumstances to exercise control over us.

To get profit
without risk
Experience
without danger
Reward
without work
Is as
impossible as
it is
To live without
being born.

—A. Goutbeu—

For the computer-minded planners, there are many software programs or personal information managers (PIMs) for the desktop personal computer that will assist in the organization of the day. They include the capability to record names, addresses, phone numbers, appointments, to-do lists, general notes and to plan indefinitely into the future. You might even use the computer to dial phone numbers, send a fax, or print out your schedule for the day, week or month. The market also offers the same capabilities in a pocket version of a daily planner.

R i s k M a n a g e m e n t

Risk is part of the process of improving life. To accept risk is to accept the possibility of personal or financial loss in exchange for the potential achievement of our goals and objectives.

The concept of acceptable and unacceptable risk is important. Only we can determine our level of acceptable risk. We must be willing to accept the risk of failure in our attempt to be successful. If failure occurs, regard it as a temporary setback in the journey towards our destination — the achievement of financial independence.

W o r k S m a r t , N o t H a r d

Most learners have to work hard because they do not take the time to master the tools of success. Work smart! Take the time to become an effective learner. Before we begin a job we should consider how we might achieve our purpose in the most effective way.

Well-arranged
time is the
surest mark of
a well-
arranged mind.

—Pitman—