
How Much Is Enough?

◆ Issue #27 ◆ Douglas E. Reese

Financial Freedom: Heart & Mind

For the past 2-month's issues, I've focused on the very important concept of "Debt Freedom." I proposed a system for designing your debt payment schedule so you can get out of debt as soon as possible, with the least interest payment as possible, and still maintain your current monthly total payment towards debt. In other words, the system I've proposed cannot be met with the excuse, "I can't afford to do that." My response would be, "You can't afford *not* to do it."

At the end of last month's issue I said we'd continue this theme of "Debt Freedom" and expand it to the more integrated concept of "Financial Freedom" which I've defined in the past 2 issues. If you haven't received those, I'll repeat it here. My definition of "*Financial Freedom*" is, "*a state of mind, achieved when you believe your financial affairs are in order and are congruent with your desired lifestyle.*" This is a very important step in the financial planning process. It is the beginning point to your own personal investment in the long-term success of your stewardship. I say "the beginning point" because I believe your financial planning success is at the mercy of two key players. You and your spouse? No. You and your business partner? No.

The two key players who direct your financial planning success are your mind and your heart. They have at their disposal the custody of your thoughts and your feelings. They remember past experiences (whether you consciously recall them or not), they are aware of your biases, your fears, weaknesses, strengths. And in order to be a good steward of wealth, you must understand them, acknowledge their influence in this process, and listen to them.

The listening begins in the mind, maybe because it is the easiest place to begin. To listen to the mind, to acknowledge the thoughts you carry with you, and to understand their influence over your financial decision-making, is possibly the beginning of stewardship wisdom. It is the starting point for knowing how you handle money, money decisions, and money relationships in your life. If you do not understand this, you will be ill prepared to face the financial decisions that will come up throughout your lifetime.

Here is an exercise for your own "mind-check." Answer the following questions, and write down your answers so you can refer back to them later, as we develop this process further. These answers will provide valuable insight to your thinking about money, your understanding of it, and your reaction to it.

“Mind-Check” Exercise

1. How much am I (are we) “worth” today. This is the total value of what you own, minus the total value of what you owe to others.
2. How much total income did I (we) bring in each year the past 3 years? How much of that income did we spend in each of the past 3 years? How much of it did we save?
3. Today, how close am I to meeting my total savings goals? This might include a retirement plan, a college education program for children, etc. (Are you 50% on track, 80%, 5%?)
4. When will I be out of debt? (Name the month and year.)
5. When will I have enough in my retirement plan to quit working? (Name the month and year.)

If you can't answer these last two questions with a degree of certainty, you have important work left to be done.

Now for part two of the homework. Although the “Mind-Check” can be a little challenging to complete, part two is even more demanding. It is the “Heart-Check” or the assessment of your feelings regarding money and money matters. It is the storeroom of past decisions, future hopes, dreams, and fears, and most importantly it serves as the connector between your mind and your actions. If the heart says “no” and the mind says “yes” and you're ready to act, what will be the likelihood of your action being successful?

Some call it following your “gut.” Others refer to it as “intuition or a hunch.” Whatever you call it, I suggest you listen to it. It is my driving force in making all final investment decisions in the portfolios I manage. I can have all the information and statistics and analysis at hand, but in the end, if it doesn't “feel right” I don't act. And getting to the “feel right” place often is more about cleaning out the closets, than learning more or understanding something better. If you have old tapes running through your “feelings circuitry” involving your past experiences with money and money matters, they will impact your ability to make future decisions. I suggest you take an assessment of these old tapes before committing to future actions that will determine the success of your long-term stewardship efforts. The same rules apply for the following exercise. Write down your answers for future use.

“Heart-Check” Exercise

1. What's the best financial decision I've ever made? How do I feel today about that decision, and what has been its impact (emotionally, financially)?
2. What's the worst financial decision I've ever made? How do I feel about it today? What has been its impact (emotionally, financially)?
3. What did my parents teach me about money? What was my earliest memory of something my parents said to me, or did with me, regarding money management?
4. Do I use money for security, safety, power, prestige, freedom?

5. What am I teaching my children about money? What lessons are being passed down?
6. What is keeping me today, from reaching all of my financial goals? Is it the lack of money, the lack of management, the lack of courage, the lack of support from others, the lack of planning?
7. What is my number one concern involving money today? What am I doing about it?

These are difficult questions. There's an old saying that goes, "tough times require tough minds." I'd paraphrase and say, "important decisions demand dedicated effort." Your future is as important a decision as you may be facing today. A dedication of effort to begin building a real foundation upon which to build that future is critical to its success. The foundation begins with clarity of thought and feelings, an understanding of their influence over your actions, and a focus on what is truly important.