

A SHIFT IN PRIORITIES

The inaugural *American Dream Study*, conducted in 2007, revealed an insatiable hunger for more and better material possessions. In addition, the bar was continually rising for what was considered “basic necessities.” However, across all social strata, the economic crisis has been a loud wake up call.

Respondents to the 2009 version of the study, reported that they are eating at home more often, shopping more at big box discount stores, spending less on movies, and moving away from brand-name products to generics (www.metlife.com). And, unlike previous downturns, no one seems to be immune.

The study also revealed that four in ten Americans are feeling “buyers remorse” about past purchases and wish they had spent less and saved more over the years. In fact, many now feel freed from the pressures of “keeping up with the Jones,” and view the economic crisis as “permission” to change their behavior.

Amazingly, 75% of the study participants replied they still believe they will achieve the American dream in their lifetimes. In light of this finding, the researchers concluded that this hope is fueled, in part, by Americans’ ability to adjust their definition:

“As credit remains in short supply and investments deteriorate, Americans have replaced (at least temporarily) their desire for a better financial future with the pragmatic goal of staying afloat and focusing on relationships with family and friends.”

Marriage also figures a more central role—27% of Americans now identify marriage as synonymous with the dream, up from 17% just one year ago. Generation Y, in particular, views wedlock as a prerequisite with 32% of young Americans defining the dream in terms of marriage and a committed relationship.

Echoing this shift toward hearth and home, 44% of Americans reported that the current economic situation has caused them to reevaluate their priorities and place greater importance on things like personal life and family rather than finances. In addition, they are making significant lifestyle changes. Nearly 40% reported a greater focus on healthy living, such as exercising and making better food choices, and 59% indicated they are spending more time thinking about personal life goals.

Source: *The 2009 MetLife Study of the American Dream*

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PUTTING MONEY IN THE CONTEXT OF LIFE

In their book *Life Matters*, authors Roger and Rebecca Merrill write, “Both what and how we spend dramatically impacts the quality of our lives, the quality of our relationships, and the legacy we leave to our children—not only in terms of dollars and cents, but also in terms of character, financial intelligence and the ability to interact in positive ways around money matters.”

Likewise, many individuals express greater financial success and satisfaction when they see a direct link between their financial planning activities and their life goals. They also feel more motivated to make improvements in their money matters when they view their financial resources as a means to express and support their values and priorities.

To make this critical link between financial planning and life planning, it is helpful to think of your life as being multifaceted. In addition, it is important to regard each “facet” or area of life as a significant component of your total “life portfolio,” and your investments of time and energy as resources to make your portfolio grow. If you are not experiencing the “value” for your investment you expected, it’s time to rebalance your life portfolio!

As you reflect on each facet of life, ask yourself these questions: What is my current level of satisfaction in this area of life? What “riches” do I currently enjoy? In what ways do my behaviors and attitudes influence my overall quality of life? In what ways can I “invest” in this facet so that I can enrich my life and the lives of others?

When you clarify for yourself what is most important in each area of life, you can begin to formulate life goals that are significant and meaningful to you at a very deep and personal level. You will discover that by identifying your values and clarifying your priorities, you will be able to make both the big and little decisions in life with greater clarity and purpose.

The next step is to think about the role that money can play in helping you to achieve each life goal. It is at this point that you will make the connection between your financial activities and your personal life goals.

As the Merrills remind us, our time and our money are important resources and both are “languages of value.” “They are highly interrelated, and the way we spend both communicates what’s important in our lives.”

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THE POWER OF QUESTIONS

Jacqueline Kelm believes that we live in a world our questions create. In her book *Appreciative Living*, she writes, “The internal and external questions we ask steer our thinking, attention, and images in one direction or another which in turn directs decisions and creates our experience”

Most of us realize how important questions are in our daily interactions—it seems we are continually either asking a question or responding to a question.

What we are less aware of are the questions that we continually ask ourselves. Our internal dialogue exists so automatically that we are barely aware it is happening. What develops are patterns of thinking that shape the way we view ourselves, view others in our lives, and view the world in which we live and work.

As Kelm explains, although it is impossible to monitor every thought that runs through our brains, it is possible to become more aware of the question and answer “habits” that guide our lives. She wrote, “What we can do is realize these thought processes are going on, appreciate the value they provide, and make a point to ask questions in a more intentional way at appropriate times.”

Kelm also believes that what we pay attention to grows. In other words, if we choose to study success, we will not only find it, but more success will be generated. Therefore, Kelm recommends the following:

“It is important to ask about what we want more of, and not less. Our attention

will create our experience, and if we focus on lack, we create more lack.”

Lou Tice, creator of the *Investment in Excellence* program describes the same concept this way: “You move toward that which you think about.”

In addition, Dan Sullivan, founder of Strategic Coach, Inc., has long promoted the power and

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—Jackie Kelm

value of “strategic questions.” For well over a decade, he has used one question in particular to foster clarity of vision and motivate positive change. In a meeting with his coaching clients, he asks:

“If we were having this discussion three years from today, and you were looking back over those three years, what has to have happened in your life, both personally and professionally, for you to feel happy with your progress?”

What Sullivan has discovered is that this question provides a framework that enables individuals to simplify their complex lives. They gain clarity when they identify what will make them happy with their progress. The result is a new confidence that will lead to important decisions and action steps.

CLARITY

MASTERING CASH FLOW: THE KEY TO FINANCIAL SUCCESS

Budgeting. Just the thought of that word can elicit groans and shudders. Yes, there are those out there who love typing every expenditure into their spreadsheets or personal finance software programs, who gleefully save every receipt from every purchase, and who enjoy doing this every day. But for some, the idea of taking the time to create and maintain a full-blown budget can be intimidating.

Anna Prior
Wall Street Journal

The key to financial success is adopting a cash flow plan that will guide your financial decisions on a day to day basis. In addition, understanding and controlling how money flows in and out of your life will free you from financial stress and empower you to achieve your most important life goals.

Nonetheless, traditional budgeting methods often lead to a sense of frustration and overwhelm. The reasons are many:

- Most people lack the skills required to set up a budget and to monitor their progress
- Most people equate budgeting with the need for self-discipline and sacrifice
- Most people get discouraged by the level of detail required and the need to track every expenditure
- Most people are looking for ways to simplify their finances, not make their lives feel more burdensome

An alternative approach that is getting a lot of media attention these days is “bucket budgeting.” Anna Prior of the *Wall Street Journal* wrote, “While different names exist for this type of budget and many financial planners have their own take on this style, the bucket image is integral to First

Step Cash Management™, a budgeting tool developed by Marty Kurtz, Matt Sivertsen, and Eric Kies at The Planning Center, a financial planning firm in Moline, Illinois.” This user friendly system has proven to be an effective way to manage expenditures, reduce debt, and increase savings (www.firststepcashmanagement.com).

With the First Step Cash Management system, income flows into three accounts or “buckets.” Each of the three buckets holds a specific type of money and each type of money has a specific use or purpose. While the uses are all different, all three buckets are interrelated.

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The Static Account™ bucket holds money that has been spent, or has been agreed to be spent, at some point in the past. These are our regular monthly expenses such the mortgage, utilities, insurance, home equity loans, student loans, and auto loans. Money is also allocated to this bucket to pay down credit card balances.

In contrast, the Control Account™ bucket contains money that will be spent within the next seven days. Control expenditures include things such as groceries, gas, entertainment, and eating out. Lastly, the Dynamic Account™ bucket stores money that will be spent in the future for goals such as retirement and education funding, vacations, gifts, and special purchases like furniture and appliances.

Once this cash flow system is set up and tweaked based on individual priorities and circumstances, the system goes into auto pilot and detailed tracking of expenditures is not required. The result is a simple decision framework that brings clarity and purpose to personal finances.