

22 KEYS TO FINANCIAL PEACE OF MIND

BY PETER W. JOHNSON, JR.

1. **Know where you are.** You wouldn't want to pilot a plane without precisely knowing your position, your speed, your altitude and your destination. The same holds true for your financial journey. Nothing can replace concrete knowledge of where you are and where you're headed. Action item: *track your spending and create a budget.*

2. **Diversify.** The greatest single risk to an investment portfolio is lack of diversification. Diversification means going beyond that area that you feel so comfortable with, whether it's real estate or high-tech stocks. It means owning a variety of investments, some of which will do well whether the economy slumps or grows, whether inflation is tame or rampant, whether your employer thrives or barely survives. Action item: *check your portfolio to be sure you own a variety of cash, bond, stock and real estate investments.*

3. **Everything changes.** Companies, fads and investment bubbles come and go. As one client wisely said, "This was the right investment for my mother, but I'm not sure if it's right for me." In this world, nothing is forever, and the wise investor keeps her eyes open to the truth about what's really going on. Action item: *Ask yourself, are you practicing money habits that apply to someone else or in another time? Or does what you're doing make sense for you, in today's world?*

4. **Don't drive with your hands on the rear-view mirror.** Too many investors put their money in last year's best performing type of investment, not realizing that it may be ripe for a pullback. Be aware that different kinds of investments take turns doing well, and although the timing and magnitude of returns are difficult to foresee, we can focus on value. For example, you wouldn't buy the supermarket item that had just gone up the most in price, would you? Action item: *Don't try to time investment markets, and don't expect recent past performance to continue. Re-balance your portfolio periodically, shifting some money from your better*

performers to your laggards.

5. **Learn what you can.** Money can be a complex subject, and it's a constantly changing world. But even a little financial knowledge can help you make better decisions and ask better questions, whether you work with an advisor or on your own. Money affects almost every aspect of our lives; and everyone should understand the basics. Action item: *Take advantage of available educational opportunities, such as community college courses, books and radio shows. But be wary of possible conflicts of interest on the part of presenters. Ask yourself, "Does this person or organization have my interest at heart?"*

6. **Seek support.** There's magic in the support of friends and like-minded groups who gather to face life's issues head-on, and this applies no less to money issues. When the going gets tough, it's often the support of others that keeps us on track, as well as helping us see ourselves and our situations more clearly. Why go it alone? Action item: *Identify one friend or group that you can trust and ask for support. Be clear about what you need.*

7. **Know yourself.** Often, the difference between success and failure isn't that one person has better knowledge, habits or discipline than another. Instead, the difference may be self-understanding. People who are successful with money aren't perfect; they just find ways to work with themselves. For example, putting savings aside at the beginning of each month, before discretionary spending occurs, can ensure a successful savings effort. Action item: *Identify one area of money that is challenging for you, and find a way to handle it that's virtually automatic and effortless.*

8. **Examine your beliefs.** It's amazing how much power our beliefs have in our money lives. People who believe that having money is inconsistent with a spiritual life, or that only greedy, selfish people succeed can create a lifetime of struggle for themselves. Similarly, those who entertain thoughts of a hostile or unreceptive

world may experience fear or anger when attempting to put dreams into action.

Thoughts and beliefs that we hold about ourselves play an enormous role, too.

Action item: *Be willing to question your own beliefs, and to adopt new ones that may better serve you.*

9. **Seek relationships and community.** None of us makes it through life without others, and our circles of support provide the resources, insights and power to meet life's challenges head on. The emotional sense of security and well-being derived from joining others in support groups, prayer groups and professional associations can literally be life-changing. And when the going gets tough, it's good to know that we don't face our challenges alone. Action item: *Look for professional and personal opportunities to participate in communities that provide mutual support.*

10. **Learn about your options.** Financial opportunities and options are plentiful, but they do us no good unless we are aware of them. For example, new tax laws provide vastly improved retirement plan tax breaks for the self-employed, while Section 529 savings plans offer unprecedented college saving opportunities. Young workers may not pay much attention to 401(k) retirement savings plans at work until they grasp the significant benefits to those who participate. Action item: *Find out more about the tools available to you from your human resources department, classes, friends or professionals.*

11. **Make time your ally.** Time is a critical element in our financial lives, and small changes multiplied over time can create financial security or economic hardship. Think about it: time is involved in all investments from savings accounts, to bonds to stocks. It's also intertwined with debt and borrowing. Like a great ocean liner that's underway, it's difficult to change direction, but given enough time, it can be done. Action item: *Don't put off financial planning, especially with regard to savings and paying off debt. The sooner you start, the easier it will be, and the farther you can go.*

12. **When in doubt, don't.** There's an old axiom in investing: don't invest in something you don't understand. That's good advice, and it can be expanded. Don't place your trust in friends, advisors or deals that you're not comfortable with. Listen to that still, small voice and don't let it be overwhelmed by the loud, brash voices of greed, insecurity or acquiescence. Remember, there should never be a rush to invest or get involved in business deals. Action item: *Take your time and listen to your inner wisdom before committing your money. Good business makes good, common sense. There will always be more opportunities.*

13. **Buy low, sell high.** Okay, we've all heard this. It seems so obvious that it's often said in humor. But what's behind it? Upon reflection, it's clear that buying low means going against the grain, investing when few others want to. It means selling as others pile in, thinking the sky's the limit. It means thinking for ourselves, and not being swayed by common "wisdom," or our own emotions. Action item: *Search for bargains to buy, and be willing to sell or trim positions that have risen.*

14. **Buy quality.** Whether you're buying investments, cars or clothes, you'll save money and time in the long run if you stick to quality. A pair of tennis shoes that costs \$19.95 but lasts only a few months is no bargain. Action item: *Put a bit more time into researching the brands available before you buy, and be willing to keep things a bit longer than most people.*

15. **Investing is not gambling.** Many people believe that there's no real difference between gambling at a casino and investing in stocks. While it's true that stocks can go up and down, over long periods they go up 70% of the time. If you believe investing is just a form of gambling, you'll miss out on the higher returns possible in stock investing, or you'll sell when your investment goes down, lacking the staying power of belief in what you're doing. Action item: *Identify the actual risks involved in any investment, and don't be blinded by blind faith or unthinking doubt.*

16. **Stay healthy.** It has been said, "health is our greatest wealth." As long as we

are healthy in body and mind, we can take care of ourselves and create wealth. A person who encounters financial difficulties, but has health, can rise above them. On the other hand, a person who has lost his or her health may not be able to enjoy life, even if it is going well. Action item: *Take steps to take care of yourself, including getting regular physical exams, quitting smoking, eating right, exercising and meditating. So much of our health is under our own control.*

17. **Keep some cash.** You can be a multi-millionaire, but if you don't have liquid cash available to pay bills, you're in danger of bankruptcy. A shortage of cash can lead to stress, wasted time, credit impairment, fire sales of valuable assets, tax problems and even bankruptcy. Action item: *Keep enough cash on hand to cover anticipated expenses, reasonable unforeseen needs, opportunities and emergencies. Think of it as financial breathing room.*

18. **Create your own luck.** When it comes to our finances and careers, it's important to learn the ropes and understand how the world works, in general. But it's equally important to be able to go one step further, and realize that it's not only okay to be inventive, but that there's little chance the world will create our perfect life niche. The ideal is to create a niche, or position, that makes a contribution to a company or the broader community. People appreciate it when you show initiative in creating your own job description when it coincides with the good of the organization. Action item: *Realize that you are in control of your destiny, no one else. Make choices and create opportunities to make your own unique contribution to the world.*

19. **Character is critical.** The side of the road to prosperity is littered with the wrecks of has-beens and could-have-beens. Talent, brains and luck create promise, but character, integrity and ethics have a greater bearing on longrun success. Our success with money, and in life, is ultimately determined by our relationships with others. What would your employer or customer think if they knew how you speak and think about them in private? Action item: *Treat others as you would have them treat you. The golden rule is still golden.*

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20. **Have a plan.** It's hard to overstate the value of planning when it comes to financial goals. There are all kinds of plans: plans for ourselves, such as retirement, our children's education or a home purchase. There are plans for others, such as estate planning, life insurance and charitable giving. There are plans with definite goals, and plans that place a greater emphasis on current behavior. The point is, financial goals lend themselves well to planning. Even if we don't always succeed, we always learn something from planning. Action item: *Pick a goal, and begin putting together your plan to achieve it. Then, follow through and enjoy the ride as your dreams draw ever closer.*

21. **Guard your credit rating.** Most of us use credit from time to time, to buy a home or a car, to start a business, to make large purchases, to refinance our homes. The price we pay when we borrow is determined by our credit rating, a score that's kept by the major credit-rating agencies. Credit is especially important when the need for borrowing is greatest. You can save inestimable amounts of money in interest payments, and ensure that credit is available, should you need it, by maintaining a high credit rating. Action item: *Pay bills on time, and don't borrow more than you need to. Late payments, high credit card balances and frequent borrowing exact a toll in higher costs, and can threaten your financial well-being.*

22. **Build a network.** Ever wish you could be part of the "old boys network"? You can – only today's networks are made up of all kinds of people. It doesn't matter whether you're male or female, old or young, rich or poor; people are meeting each other, making contacts and networking everywhere, all the time. Your opportunities will rise in direct proportion to the number of people you're exposed to. Action item: *Don't be shy; get out there and meet people! Attend seminars, meetings and conferences; call people you admire to introduce yourself; let people know your interests and passions. Your excitement and potential will increase as you build your own network!*