

Get Real About Your Money

by Patricia Lovett-Reid

Money touches virtually every primal emotion inside us. It inspires fear, greed, anger, love, envy and frustration. Why do we get so darn emotional about money? Why does making it, spending it, losing it, borrowing it, lending it, handling it, gambling it and sometimes just thinking about it, hit every jittery, jumpy nerve in our body? Why?

Because money is a mirror. It reflects back our energy, and our financial focus. If we stare at it, it just stares back at us. If we put it under the mattress, it won't sleep like a baby, it will just stagnate. But, if we put energy and discipline and creativity into our money, it will reflect that back and grow. I don't see money as a friend or a lover or a pet. If I were to compare it to a living thing, I'd say it was an evergreen that needs watering and the right location to flourish year after year.

Money is a kind of living organism without a brain. *We* are supposed to supply the brain. But instead of treating money simply and in a straightforward way, we invest our hopes and dreams into it, we rely on it for emotional support and we even restructure our lives around it. Money is the ultimate example of unrequited love. We can love it all we want but it's never going to love us back.

Turning A Negative Into A Positive

When I ask people about money, the answers I get made me realize something. There were a ton of contradictions. Women often associate money with anxiety and loss of love. I think a lot of this is the residue of female social conditioning around *protection* issues. Men's feelings around money often focus on power and prestige. Men are raised to believe they'll be good at dealing with money—yet they seldom get schooling in how to do it. I think a lot of this is the residue of male social conditioning around *status* issues.

Thanks to the media and the most recent boom and bust cycle in the stock market, we know more about money than ever before. At the same time, we seem to be more fearful about it than ever before. What many of us don't seem willing to acknowledge is how deeply money infiltrates the smallest fragments of our daily lives. Money seeps insidiously into every nook and cranny of our existence, sometimes helping, and sometimes spoiling things like spilled red wine on a cream-coloured sofa.

I've learned that the best way to cure money anxiety is through becoming more financially literate. Financial Literacy will not only help improve your *future* retirement plans, it will help your *current* lifestyle as well. Live Well, Retire Well!

Sweep Away The Dustballs

Money can't rob us of our power unless we let it. The key word here is "*unless.*" How do we contain that evil desire that lies within us all — the need to keep up with the Joneses? There's a simple starting point, it's called *knowledge*—more specifically, *self-knowledge*. And the first key element in developing self-knowledge is a change of attitude. And that happens when we clear the negative myths out of our financial closet. These myths are what I call our "financial dustballs." The high achieving people I have had the pleasure of meeting all have very different money behaviours, but two constants: They have a decidedly *positive* attitude to money, and they have cleared away many of their financial dustballs.

The attitude adjustment process starts with a good financial housecleaning. Get rid of the myths you carry around by thoroughly sweeping away all your financial dustballs, starting with the biggest one of all:

Dustball #1: *Self-worth equals net worth.*

Get rid of the notion that your self-worth has anything to do with your net worth. It doesn't. How much money you earn, and how many assets you possess has nothing to do with who you are as a person, how valuable you are to your friends and family or how much of a contribution you have yet to make to the world. Ask yourself: Would earning a fabulous income improve your net worth even more than your self-worth? Most would say no, and would also point out that the two have little to do with each other.

Dustball #2: *A little debt never hurt anyone.*

I wish it were true, but for many of us, a little debt has a habit of growing into big debt over time. Total household debt outstanding in the US was \$13.5 trillion and \$1.3 trillion in Canada at the end of 2008. A generation ago, families saved over 10% of their after-tax income. The Personal Savings Rate has since dropped to about 4%.

Let's say you have a \$3,000 balance on your credit card at 19.8% interest, and make only the minimum payments without making any new purchases. It will take you just over seventeen years to pay off the debt and cost you more than \$3,300 in interest. [Figures are based on minimum monthly payments of 3% or \$10, whichever is greater.]

Dustball #3: *I need at least \$1 million to retire.*

Not true, unless you plan to live it up big time during retirement. A lot of people come up with the million dollar number because if you invest the million at the bank and receive a modest 5% return, you and your partner could retire and live on \$50,000 a year. Not bad. But what you may not realize is that when you and your partner eventually pass away (even if you are both 100), you will take that same \$1 million to the grave with you. In other words, you have lived off the interest income and have not touched your capital at all. That's why most of us need a lot less than one million dollars to retire. Oh, and did I forget to mention that inflation-adjusted Canada Pension Plan and Old Age Security payments can add up to \$17,000 per year to your retirement income?

Dustball #4: *I need to be a math major.*

Many think that the only people who are financially literate are math majors. And we all know how many women—and men—feel about math. Investing isn't rocket science. Guess what? I never majored in math. So please, get over this math issue. Learn a few basic investment concepts. You'll be surprised to find it's not very math-intensive, and the added knowledge will give you a lifetime of investment confidence.

Dustball #5: *I don't have enough money to start investing.*

You can open a mutual fund account with as little as \$25 per month. Starting as soon as you can is the key. If you continue to put in your \$25 over time, the magic of compound interest will let your contributions grow into a nice little investment portfolio. How much? At a modest 6.6% annual return, after thirty-five years your little contributions would grow into \$39,159. You only had to contribute \$10,500—the rest is the power of compounding.

Dustball #6: *It's too late for me to start building a nest egg.*

It's never too late, no matter how little you have. Think about dustball #5. Let's say you're 45 years old, earning \$75,000 a year and wish to retire at 65. If you save 10 percent of your income (in other words, \$7,500 per year) at 6.6% twenty years, you'll have accumulated \$294,364. That is one tidy little nest egg.

Dustball #7: *Personal financial planning is about investing.*

Financial planning is much more than minimizing investment risk and maximizing your investment returns. It's about learning how to manage and control your money and your savings and expenditures. It's about creating a financial plan that will instill confidence, focus and direction. It's about harnessing your precious financial resources and making them work together, so you can achieve your short and long-term goals. Financial planning covers the whole gamut, from investment and retirement planning to tax minimization strategies to insurance opportunities and will and estate planning needs.

Dustball #8: *I can do it alone.*

Yes, you can. But if you're a beginner investor, I don't recommend it. Depending on the size of your portfolio, managing your money and investments can be a time-consuming process. You must be knowledgeable about the financial markets or be willing to educate yourself—and keep up to date with the shifting trends in the market. That's why some of you might need a planner, while some might not. You should have a good handle on the enormous number of financial products out there, and if that's all too much to put on your plate, a good financial advisor can be worth his or her weight in gold.

Learn more to earn more

There's an old saying: "Give a man a fish, and you feed him for a day; teach a man to fish, and you feed him for a lifetime." The same philosophy applies to money. Give someone money and you feed them for a day; teach someone about money and you feed them for a lifetime. If we learn to become financially literate, we're doing ourselves a lifelong favour. But as we now know, our relationship to money is very complicated. I'd like to spin around Al Pacino's famous quote in *The Godfather*: "It's not business. It's strictly personal." Our relationship to money *is* emotional, at times neurotic and always very personal. Hey, maybe that's why they call it *personal* finance.