



YOUR FINANCES: Four Steps to map out Financial Success

November 2006, By Guy McPhail

Without clear goals and a road map, you won't maximize your business or your personal wealth

In order to build your personal wealth through your business you need the structure of a financial plan for yourself as an individual and you need one for your business. Usually, what gets in the way are what I call practical obstacles.

Let me help you identify the three practical obstacles standing between you and your successful financial planning. Once you know what they are you will have a clearer path to achieving your personal financial goals.

1) Lack of goals and numbers

Building your wealth is a financial journey. For those who lack specific goals and numbers, the journey is often rambling and aimless. To build an effective financial plan you first need to decide where you want to head and know where you are now.

Here are some questions to ask yourself that will help you define your goals and let your financial planner crunch the numbers relevant to you and your business.

- How do I visualize my future desired lifestyle?
- Specifically, how much money will I need to support it per year?
- Exactly how much wealth will I have to accumulate to live the lifestyle I want in retirement?
- How many more years do I have to work?
- To achieve my desired wealth, how much of this money could reasonably come from my business income or salary and how much from investments?
- What do I plan to do with my business?
- What is my business exit strategy?

By answering these questions you can start to construct a truly useful plan, and insure your odds of success for achieving your specific financial goals.

2) No written financial plan

Do you have personal and business financial plans that are written down? Or do they exist only as ideas floating around in your head? A written plan will give you a much better chance of achieving your dreams. Here is something that should get you very pumped up: Years ago, a famous Harvard Business School study found that only 3% of the population puts their goals in writing. Another 14% have goals, but don't write them down; 83% do not even have clearly defined goals. Which group do you think clocked in as having the greatest earning power? That's right, the 3% who have a written financial plan were found to earn an astounding ten times that of the 83% group. I don't know about you, but when I can stack those kind of odds in my favor, the effort is well worth it.

3) No Road Map

How close am I to financial independence and what should my action plan be for getting there? These are two common questions I'm asked by new clients at my financial planning firm. When you lack a road map for building your wealth, you can't answer either question.

Do you know how close you are to achieving financial independence? Are you a quarter of the way there? Ninety percent there? Are you taking the most direct route? If you were planning a trip from New York City to Washington, D.C. you'd recognize that going through Ohio would not be an effective route. You need to select a sensible path to your financial goals, too. Unfortunately, that's not as simple as going to Mapquest.com.

Working with your financial planner — who should also be a CPA — map out exactly how far along you are on the road to financial independence. Together, you should identify and write down what actions you need to complete to build your wealth. These should be steps that are specific to both your personal financial situation and to that of your business. Your action plan should include counsel from your financial planner about what things you need to look out for — at home and at work — that may be a drain on your financial future. A competent planner should counsel you on how to plug these drains on your wealth.

Steps to Success

To recap, here are four steps to put you on a clear road toward financial planning success:

1. Establish goals and determine your specific numbers.
2. Put your financial plan in writing.
3. Create a timetable to complete the action steps necessary for the business to achieve your needed numbers.
4. Construct a road map in your financial plan that guides your wealth building journey and tracks your progress.

By following these steps you won't fall prey to practical financial planning obstacles. Instead, you can focus your time and attention on what strategies and tactics will help you build and preserve your wealth both at your business and at home.

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