



YOUR FINANCES

A monthly column by Guy McPhail of Zdenek Financial Planning

October 2006

Three Obstacles to Financial Success

Don't let procrastination or fear stop you from making the right plans

As a financial planner, I've seen what leads to wealth building success and what leads to failure. My small business owner clients have taken different paths before coming to see me. Some had been do-it-yourself financial planners and investors, some had never had a financial plan before, and some had unsuccessful past experiences in using a stockbroker or planner. All of these people had achieved some success in their business lives. All were intelligent and energetic. So, what kept them from achieving their wealth-building or wealth management objectives? Of course there are practical obstacles. But, in my experience, the more important factors are often emotional and behavioral ones. Let's look at three common obstacles to building wealth that can inhibit people from taking action to achieve their financial independence.

Procrastination

There's a lot of truth to the observation that says people spend more time in a year planning their vacations than they do thinking about and managing their personal finances. Some people feel they are so busy with business and home and family obligations that they just do not have the time to spend on their finances. They never actually forget that they should be paying attention to their financial futures, so they feel the stress of not taking the time to for planning. But they have an emotional block that prevents them from getting around to this critical task.

Why? Sometimes a business owner may be embarrassed to ask for help, because it would show he doesn't know as much about how to handle his own money as he does running his business. Other times, it may be nothing more complicated than having trouble following up on good intentions. We all know folks who have trouble putting their "New Year's Resolutions" into action. They're perpetual procrastinators. Think of the people you know who say every January that they're going to start going to the gym to work out but never got around to it. I often find the same can be true for such people when it comes to devoting time and energy to determine their wealth-building goals and identifying the steps for achieving them. Many of these individuals never complete a personal or business financial plan.

Or, this type of business owner will suddenly snap out of it and finally take action—with disastrous results. To end the guilt over not planning, they will act impulsively, making a few quick "gut" decisions to get it over with. That takes a lot less time than prudently evaluating the situation—spending months looking for a new advisor or putting in hours crunching numbers to determine what investments make the best financial sense. These men and women may feel good about taking something off their to-do lists, but they won't be happy with the results.

Fear of not making the right decision

Some people I meet have made very poor financial decisions at one time or another in their lives that have cost them a great deal of money. Frightened at the thought of making more embarrassing and costly financial mistakes, the person becomes like a deer in the headlights each time the idea of choosing the right investment or financing option arises. They avoid making choices that they need to make to ensure the financial success of their families and their businesses.

I remember a small business owner who had taken a big step in hiring his first CFO/controller, only to find that she was not up to the task. Her actions hurt customer and vendor relationships and cost the business money. But faced with the prospect of repeating his mistake, he put off firing the controller and hiring a replacement. As a result, there were no improvements to customer or vendor relationships. His hesitation was costing the business opportunity and making the owner work harder, since he had to stand in and do the work of another person in trying to patch damaged relationships.

Fear of Loss

One of the most understandable emotional issues that stand in the way of personal and professional financial success is fear: What happens if something goes wrong? How will I be able to recover from a bad investment? We had a case at my financial planning firm where a physician client wanted help in evaluating possible strategies for growing his business. We analyzed his options, determined the action steps required to carry them out and evaluated the cost/benefits of each.

Crunching the numbers revealed that his most promising option required a \$1 million investment in diagnostic equipment to expand his practice. While he could recognize the logic—it takes money to make money—the physician balked at risking large sums on his business. The physician needed support from his financial planner, acting in the roles of business coach and CPA, to show him that the risks were not as great as he feared and that it was a sound business plan. Eventually, the doctor overcame his fear of risking his hard-earned money and agreed to the investment; since then, his business has grown as the financial planner predicted it would.

Now that you can identify these emotional and behavioral obstacles, I hope you'll be able to see whether they stand in your way, keeping you from making smart financial planning decisions for your company and yourself.

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