

## Part One

# Evaluating Your Troops

What would you attempt to do  
if you knew you could not fail?

Robert H. Schuller, author, *Possibility Thinking*



# Evaluating Your Troops

*Living at risk is jumping off the cliff and building your wings on the way down.*

—Ray Bradbury, author, *Bradbury Stories*

Now that you know my story as well as how to identify the *Allies* and *Enemies* in this book, it is time to get started.

The first section of this book is going to help you understand where you are financially and where you want to be. I suspect that you are saying, “Fred, I just want more money.” I understand that. Wanting more money may be your goal, but we have to figure out *how* you are going to do that. The good news is there are numerous ways to get there and all we have to do is start at the beginning and follow in the footsteps of the successful people ahead of us.

I’ll be the first to admit, in the beginning, some of this is the “boring stuff” that people may have already heard: “I need a budget.” “I know I should have goals.” “I should figure out my net worth, even though I know it is not where I want to be.” Take a few extra minutes on the first section of this book and you will already have done what most people will not. The wealthy know this. Financially independent people know this. And now you know it.

The next few chapters are all about getting started. Here is what you can expect in the first part of this book.

## **Chapter 1: What Does Victory Mean to You?**

It is human nature to question just about everything. It is also human nature to need to know where we are going and when we are going to get there. But more

importantly, you need to know *why* you are going there. I don't believe you can fail in your mission to win the Cash Flow War as long as you follow this book and always remember for what, and whom, you are doing this. Let's get started on the right foot and make sure you are motivated to *finally* make a real positive change in your life.

### **Chapter 2: Planning Your Defense: Basic Training**

Here you are going to learn the importance of a record-keeping system. I know—it sounds boring and you have no doubt heard it before. So if that is the case, is it a coincidence that the rich have a record-keeping system and the less fortunate do not? I don't think so. Let's learn the reasons why a simple record keeping system can help you win the war—once and for all.

### **Chapter 3: Financial Assessment Test**

If we are going to win the war, we need to know where we are starting from. You certainly don't set out on a drive across the country without a map and, hopefully, you know your starting point. The same is true here. Let's find out where you are (financially) starting from. You can only move up from here and you may find some "hidden money" that you didn't know you had.

### **Chapter 4: Understanding the Importance of Budgeting**

Maybe "budgeting" is not everyone's favorite word. It is a word that makes some people think they have to give up everything they enjoy. Well, rest assured that is not my thought at all. We are all adults here. I believe you can make the right decisions as long as you have all the information you need—and that does not mean you have to give up all your favorite things. Even millionaires have a budget. Budgeting is more about knowing where your money is going, and it is an important part of a cash flow winner's strategy.

Ready? Let's get started . . .

# Welcome to the Cash Flow Academy

## What Does Victory Mean to You?

*I learned that the only way you are going to get anywhere in life is to work hard at it. Whether you're a musician, a writer, an athlete or a businessman, there is no getting around it. If you do, you'll win—if you don't, you won't.*

—Bruce Jenner, Olympic gold medalist

Some people seem like they're just lucky. There are always some young kids that seem wise above their years and you know they will not have a thing (financially) to worry about. I was not one of those people; but now I help educate and create them. One of my biggest reasons to write this book was to help people avoid the mistakes I made. I'm going to help you be one of the lucky ones.

I used to think that wealthy people had secrets I would never learn. I almost always accepted what life sometimes offered as opposed to running out and getting what I wanted. I am glad I didn't and I am glad that you, too, have decided to make a positive change. The fact is that the wealthy do have secrets, but anyone can learn them, and that's what I intend to show here. The winners of the Cash Flow War are not born, they are created.

We already know what can happen to the losers in the Cash Flow War. In the worst-case scenarios, the losers face bankruptcy, increased chances of ill health, social and marital problems, and even stress-related death. But what do the winners get? What can the winners of the Cash Flow War expect?

Relief from financial stress is just the tip of the iceberg! This is a war for financial freedom that we're talking about!

Simply put, by winning the Cash Flow War, money will never be a determining factor in your day-to-day decision making again. Think about that for a minute. Imagine deciding your next vacation or gift not based on budget, but on what you really want to do or get. Obviously, if you're looking to buy a Rolls Royce or a Leer jet, money will play a role. They are attainable, but let's walk before we run.

Initially, if you apply the strategies learned in this book you'll never have to worry about finding the money to live a comfortable lifestyle again. In the end, I believe that is where most people want to be—simply not worrying about money.

When I was young I wanted items like a trip to Europe, a Harley-Davidson Motorcycle, a Porsche, lots of vacations, and even an air hockey table (don't ask). What do you want? Would a comfortable lifestyle, for you, be to own a nice house and provide for your family? Or do you want to own a home and a vacation home? How many cars do you want? How much money in the bank is "enough" money? Try and be honest with yourself when you answer these questions.

What you need to decide is what a "pleasant lifestyle" means to you. You need to figure out just what it would take, realistically, to achieve the feeling that you are financially secure. This level of security is different for everyone, and you need to figure out what it would take for you personally to be able to declare yourself a winner. After you have that set in your mind, you need to sit down and develop some clear goals and objectives.

## **Developing Goals and Objectives: Writing Your Battle Plan**

I remember very clearly years ago, when well-meaning people would tell me "Fred, you need to visualize your goals if you're ever going to get ahead." One mentor of mine suggested that I write down what I wanted on a post-it note and

put it on the mirror. Heck, I had so many dreams and goals I could have stuck them on my body and ran around the house looking like Big Bird! I used to think that setting goals was a waste of time. I was wrong. Goal setting and “To Do” lists are some of the biggest secrets to success.

There are two types of people that go to the store: those that have a list and know what they are going to get, and those that wander up and down the aisles thinking “Do I need this?” and “Do I need that?” The aisle-wanderers end up taking five times as long, spend a lot more money, and still miss items they should have bought.

The best part about a list is that you know if you are on track. When you cross out items on your grocery list when you get to the end, you know you get to leave. And you can’t tell me that when you cross out that last item there is not a brief moment of satisfaction. I know there is for me.

Here’s your first lesson in the *Winning the Cash Flow War* boot camp: choosing and following a course toward short- and long-term financial goals. Without clear-cut financial goals and specific plans for meeting them, some people can just drift along, plugging away at their jobs, and more or less leaving the future to chance. Imagine trying to drive from San Francisco to New York *without* directions or a map—good luck! If you have a clear idea of where you want to go, it follows that you will be better able to gauge whether or not you’re getting there, doesn’t it? If you have a battle plan written out, then you’ll be able to stay on track and win the Cash Flow War. Obviously, since you are not there now, something in your current battle plan (or lack thereof) has to change.

Unless you do something in your life to make change, nothing in your life will change.



## Five Stage Program for Setting Financial Goals

**Stage 1:** Get out a piece of paper and write down your financial goals. This was fun for me; it is like a “wish list.” Don’t leave anything out! Think about whether

you're saving to send your kids to college, buy a new car, saving for a down payment on a house or a vacation home, paying off credit card debt, mortgages or loans, planning for retirement, buying new furniture, putting in a pool—you get the picture. List everything you can think of!

**Stage 2:** Now take those goals and break them down into four categories: short-term (less than one year), medium-term (one to three years), long-term (five years or more), and lifetime goals.

**Stage 3:** Educate yourself! This was one of the most important things I did to turn my life around; I wanted to learn everything I could to improve my financial outlook. You're well on your way with this book. You can also use this book as an introduction to everything. If you find a particular subject in here that intrigues you, continue to pursue it. But remember, in the Information Age the sources are vast. That is why you should first narrow the scope of what exactly you want to learn. Once you have successfully done that, you will be more easily prepared to take the steps necessary to learn what you need. Please be aware you don't want to get stuck in a cycle of continually searching for knowledge. There is an old saying that goes, "The more you know, the more you find you don't know." It would be impossible to know everything there is to know on any subject. It goes without saying, however, that the more you know, the better off you will be. But it is far better to know a lot about a specific subject than it is to know a little bit about a lot of subjects. Later, you will want to sign up for my e-letter at [www.winningthecashwar.com](http://www.winningthecashwar.com). With this book and a little effort, you can learn enough to make educated decisions that will increase your net worth many times over. Then identify small, measurable steps you can take to achieve these goals, and put this action plan to work.

**Stage 4:** Make sure you can evaluate your progress by achieving little goals along the way towards your final objectives. Review your progress monthly, quarterly, or at any other interval you feel comfortable with. But make sure you check yourself against your goals at least semi-annually to determine if what you're doing is actually working.

**Stage 5:** Re-write your goals and objectives. The bottom line is, things change. You may find yourself ahead or behind on your goals—you may want or need to



change them after you complete this book. If you're not making satisfactory progress on a particular goal, reevaluate your approach and make changes as necessary. If you've overshot a goal, maybe you had set your sites too low to begin with. If you took a realistic approach to Step 1, you might find that you are well ahead of where you wanted to be and you need to set the bar a little higher. If you were unrealistic, you might need to reset the bar a little lower. Be flexible.

## Staying Motivated

Motivation: Sometimes I think that is what it all comes down to. I don't know how many times I heard the same message about finance until I finally took action and decided to change my life. I ordered countless programs and books (some good, some not), and still did nothing. Then, one day, I decided that I had had enough and that it was time to get moving—the idea of never trying to better my life was more annoying than the fear of actually doing it.

Once you've set your goals and objectives, one of the most difficult things to do is stay motivated. I can't emphasize this enough. We usually have no trouble getting excited about things initially, but once it actually begins becoming work—we find ourselves easily distracted. I am going to try and help you stay focused throughout this book. Although you may not see the changes right away, rest assured they are happening.

**Make your first goal to read every page in this book—whether you think you know the information or not.**

I have seen some of the most unlikely success stories come out of extraordinary circumstances. People that were battling education issues, geographical issues, and even physical or emotional issues have become formidable professionals in their chosen industry. Conversely, I have seen some of the most talented and educated people do nothing. If I were forced to pick what separates these people and I had to reduce it to one element, I would have to say it is motivation and commitment.





With proper motivation (commitment, drive, and a take-no-prisoners mentality), almost anything can be accomplished. I have seen it time and time again. It is interesting that most people really don't know what motivates them. What motivates you? You should be able to answer that question right away without significant thought. But realistically, lots of us really don't know what motivates us, or we think in terms of goals that are too extensive.

**Find out what motivates you. If you read books and journals on psychology (not something I would recommend without purpose), you will note that some experts believe that we are always motivated by one of two circumstances: the *pursuit of happiness* and the *avoidance of pain*.**

The first big motivator for people is the *pursuit of happiness*. Perhaps you want to buy a new car, take a vacation with the family (or without the family), pay off some credit cards, or simply save money for a future goal. The pursuit of the "reward" can be very motivating. The reward does not need to be big, just something you would enjoy as a symbol of your achievement.

The second is the *avoidance of pain*. It is the opposite of the pursuit of happiness. Perhaps you are motivated by your inability to get a new car or pay off that bill or go on vacation. It doesn't matter how you are motivated. Either method can be very effective. Matter of fact, people can choose opposite motivators for the same thing. You will often go back and forth depending on the issue at hand.

The best example is a trip to the gym. People do not go to a gym at 5:30 AM because the idea of lifting a bar with metal discs on the end is fun. They don't get to take it with them. When they finish, it just goes back on the rack where they started. People do not go during their lunch hour to walk up mock steps that go nowhere for entertainment. It's not sport and for the most part, it is not a game.

So why do people do it? It boils down to one of two reasons. The pursuit of pleasure: They like how they look, they like how they feel, they want to lose weight, they want to do better in some physical activity, etc. These elements can be strong motivating factors.

The people on the other side of the gym are working just as hard, but are motivated by other factors: the *avoidance of pain*. They are concerned how they would look if they didn't work out or if they gained weight or if they aren't in shape to play with their family. Either motivational factor works, but the people are there for entirely different reasons and accomplish the same outcome.

So look closely at what motivates you. Study yourself and move forward. Are you nervous about introducing yourself to a new business contact that you keep hearing about? What if he or she can help you close more deals than you ever have before? What if it is the best call you ever could make? How can you afford *not* to follow through on something that could lead to great potential?

In the end, if you're doing things right, you will lead a life free of financial stress. Because you will have the motivation to accomplish everything you set out to do—or at the very least make an attempt.

Find out what motivates you and move forward. I can guarantee that if you discover what motivates you, and you let that motivation drive you, nothing will stop you from accomplishing your goals.

## Never Forget That You're Fighting for Financial Freedom!

According to the Administrative Office of the U.S. Courts, for the fiscal year ended June 30, 2003, the number of bankruptcy filings was 1,650,279—the largest number of cases ever filed in any 12-month period. And according to some industry analysts, over the next 30 years 38 percent of all American households will be administered through the U.S. Court system. Now, I think that projection may be a little high, but it does underscore my point. We're in a war here—and far too many of us aren't winning!

Although we'll be discussing bankruptcy (and more importantly how to avoid it) in Chapter 19, I'd like to show you some statistics here to illustrate just how close a lot of us may be to losing the Cash Flow War. Although there are numerous ways to measure our failing battle, bankruptcy can clearly be seen as a concrete example of a major defeat, so I'll use it to hammer home the seriousness of the situation. Here are some not-so-cheerful facts from our friends at the Administrative Office of the U.S. Courts:



**The 2003 national rate for filing personal bankruptcy is one in 78.8 households, or about 1.27% of all households.**

**Personal Bankruptcy Filings increased 9.6 percent in the 12-month period ending June 30, 2002.**

**Non-business filings totaled 1,613,097 for the 12-month period ending June 30, 2003, up 10 percent from the 1,466,105 cases filed in the 12-month period ending June 30, 2002.**

## It's No Longer a Private Affair

And if you do happen to lose your personal battle and fall into the bankruptcy trap, everyone will know it. As late as November 2003 all consumer bankruptcy information—including name, address, social security number, assets, liabilities and account numbers—continue to be available online for Chapter 13 Plans. In addition, court records also report the names and ages of children. This data is available to everyone as a public record. There is legislation currently pending to restrict access to some of your data, but as of 2004 this is the way it is.

Clearly, something is wrong with the battle plan these people falling into bankruptcy are following. And I think the first thing wrong is that these people don't realize they are in a war! In the end, all the government statistics and public embarrassment were not a concern of mine. Providing for my financial future and the financial future of my family was. I suspect it is the same for you. By virtue of you buying this book (and actually reading it), you're doing something about it. That is the first big step to take on the way to your eventual financial freedom.

## Marching Orders for Chapter 1

- ✓ Write down your Battle Plan (goals and objectives).
- ✓ Sort your Battle Plan into a timeline.
- ✓ Determine what motivates you.

