Chapter 1

Money Is Energy

If you think about it, money is an energy source. One of the ways Webster's Dictionary defines energy is "the physical or mental strength that allows you to do things." Money, like gasoline for your vehicle, allows you the ability to do the things you want to do in life. It is literally and figuratively the fuel that propels you through life.

We all need a good amount of energy to fuel our lives—physical energy (sleep, food, and water); mental energy (education, information, conversation); spiritual energy (prayer, meditation, fellowship); energy for our homes, vehicles, and schools (electricity, heating and cooling, gasoline); and economic energy (money and investing).

Everyone has the quest of having enough economic energy to fuel a desired lifestyle without getting into debt, becoming a burden on family or friends, or running out of money. While many have the best of intentions when it comes to managing their money, many ignore those good intentions. Simply put, most people are not planning or saving enough. In fact, Voya Financial research found that only 17 percent of working Americans have a formal financial plan and only 31 percent have a written budget. Simple steps such as these are key foundational building blocks for a secure financial future.[1]

There Is No Silver Bullet

Everybody wants a silver bullet. You know what? I don't blame anyone for this, but guess what: *There isn't one.* Searching for a silver financial bullet is like searching for El Dorado, the mythical "Lost City of Gold." *It just doesn't exist,* so you need to be a realist—a problem-solving realist—who understands the situation, creates a realistic plan, and follows it. Unfortunately, when people get desperate, they place even more hope in finding a silver bullet to bail them out. Many times, they end up hurting themselves by jumping from one quick fix to another.

Forget the magic bullet/quick fix solution. When you were little, you had to crawl before you could walk and walk before you could run. If you tried to do it in any other sequence you would probably fall and get hurt. It's the same with money, especially in the current environment, in which things are rapidly changing. If you get ahead of yourself, you will feel as though you have little control. Without the proper *money mindset,* you may feel that you are not in control *at all.* When we are not in control of something, we fear it, and the mind tends to dwell on the worst-case scenario. People make mistakes when they are fearful, and run the risk of taking on too much risk.

There is a strategy in understanding money. You must be defensive and try to either avoid or minimize the pitfalls and risks. The goal is to stay within an area where you are comfortable. Allow your money—over time—to compound and grow without getting distracted by the noise coming at you from all sides. This noise can paralyze people when they don't have the necessary knowledge or tools to help them analyze and understand what is going on and how it may affect them in the long term.

T. Boone Pickens wisely said, "The older I get, the more I see a straight path where I want to go. If you're going to hunt elephants, don't get off the trail for a rabbit."

Building Your "Financial Foundation"

The path to financial prosperity is not easy. You need to understand your time horizon as well as your risk tolerance before you can even begin investing. When you invest in financial knowledge, take control of your assets based on what you know, and heed the advice of skilled financial professionals, you can increase your chances of financial success. You will not be simply rolling the dice, hoping that things will go your way.

The first step in building a financial game plan is similar to the process of building a house—start with a solid base: a financial foundation. Throughout the rest of *Money Mindset* I will explain all of the pieces that you should incorporate into your foundation, along with the process to follow your plan. But for now, let me quickly lay out some of the basics of a financial foundation.

To begin, be sure to pay your (future) self first. What does that mean? It means that—along with paying your monthly bills and other expenses—you will set aside a portion of your income for long-term savings. I encourage you to attempt to save 10 to 15 percent of your gross pay, working up to that goal over time if needed. Put that money into your 401(k), IRA, brokerage account, or your savings account. This becomes a positive habit and has the potential to help build wealth. Trust me; you will learn to live without the money in your hands each month.

Regardless of net worth, have at least basic estate planning documents, such as a last will and testament, a medical power of attorney, and a durable power of attorney. Having proper insurance coverage is an important part of your foundation, too. It should help cover your liabilities if you were to pass away prematurely, become ill, or get into an accident.

If you are saving for retirement, have no credit card debt, and have established basic estate planning documents, general insurance protection, and about three to six months of cash in an emergency fund, you are building a strong financial foundation.

Unfortunately, many times people will skip the foundation of the process, and they will think, "Well economically speaking, things are going well. I want to invest now, maybe buy some stocks, and then as that money grows, I'll pay off some of my debt. It's no big deal." However, you are opening Pandora's box, because you already have the liability, and yet now that you have the resources, instead of paying down your debt (e.g., credit cards), you have put the money into investments with components of risk that you can't control. It may be that you will wind up having that same debt, and that the cash you put into stocks that you could have used to pay down your debt is now worth less due to an unexpected decline in the capital markets. Don't put the cart before the horse.

Instead, align yourself to be more like the tortoise in the fable of the tortoise and the hare. We need to be moving slowly with a methodical strategy, with the least amount of emotion, and with as much time and as much diversification as possible.

What's Ahead?

In the next chapter, you will learn how the ways you think about money can affect you positively or negatively.

KEY INSIGHTS FROM THIS CHAPTER

- Money can be thought of as an energy source to help propel you through life.
- Move forward financially with a clear focus and strategy, using time and portfolio diversification to your advantage.
- You will be more clear and confident in your strategy if you have a strong foundation.
- Before you pay your monthly bills and other expenses, set aside a portion of your income to save, for example, 10 to 15 percent of your gross income.

Note

1. Voya Retire Ready Index™, Voya Financial, http://corporate.voya.com/newsroom/media-kits/voya-retire-ready-index.