Money Management & Investing
Steps to Gain Control of Your Finances!
What is a Money Coach?

Goals
MoneyNo-Debt
empower
dreams
confidenceplain-language
goals
empower
expertise
solid-financial-foundation
direction
systems
nonjudgemental
future-plan
ally
support
Cash-flow
Peace-of-mind
Stages of (Financial) Well-Being

Chaos
- Guilt; Avoidance; Blaming others; Abdicating Responsibility
- Fear; Feeling Overwhelmed; Wanting to do better but not knowing how
- Passive income greater than living expenses; No more need to work; Mortgage paid off; Self-esteem; Feeling of achievement
- No longer living paycheque to paycheque; Savings; Long-term planning; Mortgage under control; Investments started
- Living within one’s means; Paying down debt; Cautiously optimistic
- Money is a non-issue; Self-actualization; Giving back to others

Safety
- Mortgage paid off; Self-esteem; Feeling of achievement
- No more need to work; Mortgage paid off; Self-esteem; Feeling of achievement
- No longer living paycheque to paycheque; Savings; Long-term planning; Mortgage under control; Investments started
- Living within one’s means; Paying down debt; Cautiously optimistic
- Money is a non-issue; Self-actualization; Giving back to others

Awakening
- No more need to work; Mortgage paid off; Self-esteem; Feeling of achievement
- No longer living paycheque to paycheque; Savings; Long-term planning; Mortgage under control; Investments started
- Living within one’s means; Paying down debt; Cautiously optimistic
- Money is a non-issue; Self-actualization; Giving back to others

Freedom
- Money is a non-issue; Self-actualization; Giving back to others

Enlightenment
Money Management with Confidence
Your life and financial goals are the starting point for any financial plan.
## YOUR LIFE AND FINANCIAL GOALS

What things in life would you like to achieve, experience or have?

<table>
<thead>
<tr>
<th>Goal</th>
<th>Cost/Value</th>
<th>Time Frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Travel to Hawaii</td>
<td>$4,000</td>
<td>Dec 2016</td>
</tr>
<tr>
<td>2. _____________________</td>
<td>__________</td>
<td>__________</td>
</tr>
<tr>
<td>3. _____________________</td>
<td>__________</td>
<td>__________</td>
</tr>
<tr>
<td>4. _____________________</td>
<td>__________</td>
<td>__________</td>
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</tbody>
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Goals are dreams with a deadline. Dreams without a deadline are just wishes...
Know Your Financial Reality

Know what you have to work with and learn to spend your money consciously to live within your means.

"When I was your age, you could live all year on a billion dollars."
## Money in:

## Money out:

### Fixed Expenses

### Basic Monthly Expenses

### Lump Sum Expenses
First Priority is to break even: No more money out than money in!

- Know what you are spending!
- Don’t use a credit card ... ... unless you can pay it off in full every month!
- Pay your bills on time!
- Save and then splurge!
Develop Smart Money Habits

- Take advantage of free stuff and discounts.
- Buy groceries in bulk and split the cost with others.
- Prepare your own lunches and bring your own coffee. Better and cheaper!
- Don’t hang out with big spenders.
- Live without a car or don’t use it a lot.
- Avoid impulse purchases.
Get Out and Stay Out of Consumer Debt

Make getting out of debt a #1 priority!
Save For the Things You Want and Need

Vacations, car repairs, a house, clothes, gifts: You know you’re going to spend money on them, so start saving now!
Bank Accounts for Success

www.moneycoachescanada.ca
Be Prepared for Emergencies

Set aside money for emergencies and also ensure you and your partner have up-to-date wills and life and disability insurance.
Plan for Your Future

Make sure to start saving for your Financial Freedom.

Start with what you can, then increase it regularly.
Your Money Still Isn’t Enough?

- Spend less than you make. This leaves money in your pockets.
- Make more: Take on a part-time job or start a business. I did both!!!
- Be an outstanding employee. It will open doors to your career.
- Learn to invest. Make your money work for you, rather than you working for money!
## Who are my Clients?

<table>
<thead>
<tr>
<th>“High Income” Clients</th>
<th>“Getting Serious” Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>❑ 40+, often with family</td>
<td>❑ Late 20’s to early 30’s</td>
</tr>
<tr>
<td>❑ Educated, mid career</td>
<td>❑ Educated, early career</td>
</tr>
<tr>
<td>❑ In their peak income years</td>
<td>❑ Getting serious about money</td>
</tr>
<tr>
<td>❑ Income &gt; $150k for couples or $80k for singles</td>
<td>❑ Income can be lower but need potential</td>
</tr>
<tr>
<td>❑ Competing demands on their money</td>
<td>❑ Major life event happening</td>
</tr>
<tr>
<td>❑ Net worth doesn’t reflect income</td>
<td>❑ Want to learn money management / investing skills</td>
</tr>
<tr>
<td>❑ Feeling “stuck” in rat race</td>
<td>❑ Very ambitious</td>
</tr>
<tr>
<td>❑ Looking for change</td>
<td>❑ Looking for change</td>
</tr>
</tbody>
</table>

My best clients are those who are already doing well with their money but want to do even better ...
Client Story: Janine M., 31

- Came to me in a panic after Christmas
  Bought her first condo, couldn’t make ends meet
- Main problem: Fixed Bills too high
  Car Loan, personal loan, credit card balance together with mtg. and utilities almost killed her
- Restructured the payments and got rid of “stuff”
  Now she has only one loan (other than the mtg.)
  Now she has emergency savings
  Now she is saving for a trip to Ireland with her dad
Investing with Confidence
Have a Plan

Good investors have a plan. They know where they are going and they have a map to keep them on course.

Your life and financial goals are the starting point for any financial plan.
Set Investment Objectives

- What is my reason for investing?
  
e.g. “I need a $20,000 down payment for a house”

- What do I want my money to do for me?
  
e.g. “To afford what I want, it needs to grow my money by 15% within 2 years”

- When do I need the money?
  
e.g. “These are retirement savings which I will only need in 30 years from now”
Determine Asset Allocation

- There is a trade-off between risk and reward

Over long times, stocks outperform bonds. But over short times, they may lose a lot of value.
Determine Asset Allocation

- Your risk tolerance will determine the composition of your portfolio

**Balanced Portfolio**
- Fixed Income
- Cash
- Equities

**Conservative Portfolio**
- Fixed Income
- Cash
- Equities
I am Using a Passive Investment Strategy

I am a couch potato and this is how I invest...

- 20% Canadian equity
- 20% US equity
- 20% International equity
- 40% Canadian bonds
Fees Do Really Matter!!!

How fees hurt your returns
Value of savings over 40 years with no fees and fees to 2.4%*

$900,000
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0

0
5
10
15
20
25
30
35
40
YEARS

$784,630
$605,689
$434,872

NO FEES
1% MER
2.4% MER

* based on 5% rate of return
SOURCE: C.D. Howe Institute, 2014 Ontario budget papers

TORONTO STAR GRAPHIC
Who Will Manage Your Investments?

- Are you your own worst enemy when it comes to investing?!?
The Behavior Gap

- MONEY = EMOTIONS
- Most people are NOT good investors ...

www.behaviorgap.com
Where are we in the market cycle?
Canadian Stocks

S&P/TSX Composite Index

- Crash: -50%
- Correction: -10%
- Bear Market: -15%
- Bear Market: -25%
You're the Boss!!!

Your temperament is right if:

- You can wait patiently for an opportunity
- You do not follow the crowd
- You can make a decision and stick with it
As a Good Investor, You:

- **Make investing automatic**
  Regularly invest small amounts of money.

- **Cover your downside**
  Take on no more risk than you can handle.

- **Rebalance your portfolio**
  Once or twice a year, sell winners and buy losers!

- **Manage your costs**
  Fees really matter for the overall performance of your portfolio!

- **Keep your cool in extreme markets**
  “Wall Street makes its money on activity. You make your money on inactivity.” (Warren Buffett)
Investing for Cash Flow

Focus on the **income** generated by your investments, rather than on the **capital appreciation** of assets.

**What’s the difference?**

A rental property has a net value (e.g. $300,000)
It also pays a monthly income (e.g. $1,000 in rent)
Why Cash Flow Investing?

- **Multiple Sources of Income**
  Having money in your pockets – and lots of it!!

- **Flexibility**
  Use the income generated for new investments

- **Protection against Market Volatility**
  Receive an income even when the market drops!

- **Piece of mind**
  Work becomes optional over time ...
How to Start the Cash Flow Game?!?

- Control your expenses – tightly!
  You need the extra money for investing!
- Save up a down payment for a property
  You need to put 20% down (sometimes more)
- Purchase asset, produce positive cash flow
  The asset needs to be cash flow positive!
- Repeat the cycle...
  Apply passive income to purchase next asset...
Cash Flow Investor Oliver Limcango

- Uses similar strategy as outlined
  Currently owns 13 rental properties in Alberta

- Financially independent at age 32
  Travels the world – will be back in 2015!

- Founder at Oliver Investments
  You can look him up at:
  http://www.oliverinvestments.ca/
Suggested Reading:

- “Unstuck” – by Karin Mizgala and Sheila Walkington. On money management.

- “Your Money or Your Life” – by Vicki Robin. On the philosophy of money.

- “Rich is a Religion” – by Mark Stevens. On the philosophy of money.


- “Millionaire Teacher” – by Andrew Hallam. On investing.
What is Next?

- Sign up for our e-newsletter! Once a month – A MUST!!
- Come to a Money Club. Ask questions & learn!
- Money Coaching – contact me for a free consultation to see if it is a good fit for you!

Email me:
barbara@moneycoachescanada.ca