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Financial Success Simplified: Introduction

The purpose of this series is to educate consumers on some simple principles that will take the mystery out of the often-complex world of managing one's financial affairs. The first distinction is to realize there are only seven key variables that can be managed in creating your financial future and wealth. These variables are:

1. Career Earned Income
2. Lifestyle
3. Savings as a percentage of gross income
4. Risk Management
5. Tax Planning
6. Rate of return on invested savings
7. Legal and other considerations

The first three variables are entirely within the control over every individual. Your number one determinant of financial success and wealth building is your career and ability to earn an adequate income to sustain your desired lifestyle. Over the past two hundred years, self-employment and hard work in North America have accounted for the creation of the vast majority of millionaires – rather than inherited wealth.

Regular savings – the first step in capital formation – are also critical, until the time when investment management becomes the driving force behind continued asset building. Most people are interested in a comfortable lifestyle with a focus on attaining a desired standard of living for their ideal vision of retirement. Others have greater aspirations.

But no matter what your objectives are, the **first step in creating financial independence is the ability to live on less than your earned income.** The discipline in doing so is the same whether you are earning an income of \$30,000 or more than \$100,000.

The final four variables can involve the use of outside Advisors. Risk management covers all risks that can affect both the assets you have, such as a home, and your ability to sustain your standard of living, should your income be interrupted. These can include areas such as medical benefits, out of country travel insurance, life insurance, disability and critical illness insurance, among others. If any of these risks should affect you or your family, then it will impact your current lifestyle as well as your potential retirement lifestyle.

Tax planning is important since it affects the amount of money left over to fund your lifestyle and savings. It can be as simple as **taking advantage of all deductions when filing your annual tax return** to the use of corporations, holding companies and Trusts. The use of a qualified tax specialist is recommended but be careful not to let the tax planning become the focus of your entire financial strategy.

Managing your investments to earn a return on your capital, never mind the return of your capital, is important to assist you to achieve the level of overall savings from which to fund your retirement and other lifestyle goals. Earning a return on your money is a way to reduce or make up for the amount of savings needed to fund your hopes and dreams. We will cover this in more depth later in the series.

Finally, you need to pay attention to the legal and other areas that can impact your financial affairs. The most basic set of documents are a Will, Power of Attorney and Medical Directive. These form the context for



managing your life. Again the input of a qualified specialist is needed to ensure that your wishes are fulfilled.

A simple financial strategy will cover these areas in some detail while a formal plan will get into more detail and complexity especially when it comes to strategies for optimizing the solutions or client outcomes. Call us for an appointment today to review your situation with respect to your personal planning situation.

Questions about managing your investments?

[Contact our office](#) [1]

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