THE FAIRY TALE CALLED RISK=REWARD

Have you been told that in order to grow your wealth you have to accept financial risk? You don't. You can get ahead without putting everything you've worked hard for at risk.

The Traditional Formula

Traditional financial planning often attempts to satisfy a stated future financial goal or target (like college tuitions or retirement) by using the following mathematical formula:

Target = Money X Time X Rate of Return

The common theory is that if the future target is known, one can "back in" to a financial strategy by having 3 of the 4 variables listed above. For example, if a person needs to accumulate $1,000,000 for retirement (Target), and that money won't be needed for another 25 years (Time), and if money is assumed to grow by 10% each year (Rate of Return)... then it can be calculated that this person must save about $9,250 each year, in order to hit the goal.

Sounds simple, right?

In reality, there are a host of problems with this approach to financial decision making. These problems have contributed greatly to consumers finding themselves way behind in their wealth building journey. And, the solution has nothing to do with asset allocation.

Here's why...

The Real Cost of Living™.

Many people feel frustrated and ask "Why am I not getting anywhere financially?" A long list of economic realities conspire to answer this question as they join together to put great pressure on your money. These forces include inflation, rising taxes, new inventions being created, old products wearing out, a desire to have an improved standard of living today, and certainly the impact of unexpected life events. If your balance sheet is not growing, the impact of these financial obstacles will be magnified.

In response, simply "hoping" that you will enjoy an attractive rate of return on your money is not the best (or only) solution. For many consumers, the past decade has produced disappointing market returns. All the while, personal balance sheets have suffered as the Real Cost of Living™ tightened its grip on American households.

Traditional planning deters savings.

Unfortunately, most financial planning platforms have ignored the Real Cost of Living™ and, essentially, taught the public that it is OK not to save. Why bother saving sufficiently when you can expect a 10% return over 25 years? In the example above, a person may be "coached" into saving less, only $9,250, merely because it is anticipated that future market performance will create the desired result.

Marketing pieces proliferate showing the long term attractive results of staying invested. While the fine print of disclosure states that there are no guarantees, the public hears a different message that can almost sound like a guarantee.

In our example, if a person only realized a return 5% (not 10%) during the same hypothetical 25 years prior to retirement, then the $,9250 of savings would only create just $463,000 (not $1,000,000). A shortfall of over 50%!

We have seen this reality play out across the nation for the past few decades. For many, it is like walking backwards while enjoying the beautiful landscape behind them. What they don't see is the cliff that they are heading toward.

As a result, personal savings is at all time lows (less than 5%) and in many cases actual investment gains, which seemed so available, have not materialized.

As time continues to slip away, a shocking number of Americans are ill prepared to pay for college or enjoy their own retirement.

Become a saver before an investor.

Today, far too many consumers "invest" in market based assets and may never "save" using promise based assets. This approach may lead to inappropriate levels of risk and may lack the liquidity to be able to respond to changing life events.

Unemployment. Parent care. A flood, hurricane, or tornado. A medical emergency. These, and other unexpected surprises in life can be devastating... especially, without enough liquid savings.

Therefore, it is prudent to have as much as one year annual household income saved. Maintaining an appropriate level of safe, liquid, promised based funds on the balance sheet is a key element of being well balanced financially.

Save, save, save.

Regardless of the order that is chosen for saving or investing... the real key to wealth building is having ample amounts of "new money" reach your balance sheet each year. It can be proven that the level at which you save is more important than the rate of return you hope to receive. When it comes to knowing you are reaching your personal wealth building potential... nothing beats simply saving more!

> Unlike other advisors, we don't ask you to take on more financial risk. Instead, we recommend proven strategies to improve your financial position.

Rate of return results are so unpredictable and often difficult to achieve. You work hard for your money... and it shouldn't be put at risk. Saving the right amount each year may actually allow you to lower the risk on your money.

Take control.

To gain real control of your financial future, you should systematically allocate 15-20% (or more) of your gross annual income to wealth building opportunities. And the more you make... the more you should save.

So, if the person in our example has an income of $200,000, they should never be told that saving $9,250 is OK...regardless of a rate of return prediction. Instead, improved savings should be the focus. At 15%, a minimum of $30,000 should be saved each year. As income increases over time... savings should increase as well. What is it that is blocking this person's ability to save?

Dramatically increasing the amount you save might seem daunting. However, it is achievable by selecting strategies that lower your taxes and insurance costs, eliminating debt, owning a home that is affordable, and enjoying the benefits of living a budgeted lifestyle.