



Ten Simple Rules for Wealth Builders... That's You!

Part of the:

Wealth Education Bulletin

by

Carnegie Financial Planning

How to read this document

Making smart decisions about your money to meet your daily needs and steer towards your long term goals can be a complex task. There are so many issues to consider such as taxation, legislation, protecting your wealth and assets, associated costs, the inherent risks of choosing one path over others to achieve your money goals.

Developing, Implementing and Acting on a Financial Plan to achieve your goals requires you to understand how these issues will impact on you and what you should expect over time.

As your Financial Adviser, we will provide you with a Statement of Advice (SOA) this is a documented Financial Plan which sets out our advice to you and how it can achieve the goals and objectives you share with us. This document provides some additional information to help you understand the financial planning concepts discussed during our Financial Planning Process and in your SOA.

It is very important that you read this document to help you understand the benefits of the strategies recommended to you, and the associated costs and risks.

If you do not understand something or need further clarification, please contact us.

I don't want to play anymore...

In 2009 the Global Financial Crisis caused our Australian share market to hit rock bottom. For Wealth Builders holding the Australian Shares Index, it wiped more than 50% of the value of their investments.

The Australian Share market has recovered slowly over the last two years clawing back more than 30% of its losses.

The aftermath and the fallout continues with each news week bringing us more uncertainty and fear. We are living through Europe's debt crisis, the USA Debt Ceiling debate and what seems like constant turmoil in the Middle East.

At home the concerns of our "patchwork" or "two speed" economy are compounded by fears about a carbon tax, a mining tax, minority governments and asylum seekers. It's all enough to make you crawl under the bed tucking your hard earned cash along with you.

But that would be a mistake.

In the years leading up to the Global Financial Crisis, Wealth Builders chased returns and ignored risk. Now the same Wealth Builders, licking their wounds focus too heavily on risk and uncertainty and ignore the fundamentals of investing.

You Can't Avoid Risk

Accepting this as truth allows you to get on with things. Some people see Life as a series of risks taken for the promise of rewards or the lessons learnt from the act of trying.

Wealth building is no different. Risk can't be avoided entirely it can only be recognised, understood and managed.

With the GFC fresh in our minds, Wealth Builders will need to devote a little more time for: recognising the potential risks with their investment decisions, understanding how these risks will affect their potential rewards and managing risks where possible to bring certainty of achieving the reward.

Risk is only half of the equation.

The other half is Reward.

Achieving your financial goals, meeting your current financial needs, having the financial freedom to plan for a better future, seeing your children realise their potential, these are the rewards of Wealth Building.

Wealth Builders that achieve their "Rewards" know that building wealth requires you to manage risk and to protect what you already have.

So even though the game has changed the rules are still the same.

It is still possible to successfully build wealth amid all of the uncertainty and risk.

Ten Simple Rules for Successful Wealth Building.

1	Wealth Builders set smart goals	If you don't know where you are going, how are you going to get there? Your Goals should be Specific, Measurable, Achievable, Realistic and Timed. A Smart Goal means that each investment decision made is done "On Purpose"
2	Wealth Builders pay themselves first	Investing "what's left over" is not a key to success, setting aside an amount to fulfil your goals can be.
3	Wealth Builders automate their cash flow	Preparing a budget and taking responsibility for "where your money goes" allows you to automatically allocate cash for now, for a rainy day and for your long term goals.
4	Wealth Builders replant what they harvest	Investing is like farming, you are planting seeds of cash that you intend to grow. Reinvesting income means that you are constantly adding to your wealth.
5	Wealth Builders diversify their investments.	"Not putting all your eggs in the one basket" is a fundamental investment rule. Diversification manages risk and ensures that you have access to more potential rewards.
6	Wealth Builders seek opportunities to pay less tax	Tax can be the single biggest non productive expense for the Wealth Builder. Paying tax is an integral part of Australia's social structure, legally reducing the amount of tax you pay is a key element of successful wealth building. Like Risk it can't be avoided just recognised, understood and managed.
7	Wealth Builders know it's time in the market that counts not timing	The ultimate success of your investment portfolio largely depends on the length of time you spend in the market, NOT your ability to predict short-term market highs and lows. Procrastination robs you of any further financial security and the freedom to afford your dreams. The earlier you start investing and the longer you stay invested, the more wealth you can build up over the long-term.
8	Wealth Builders understand and use Debt to achieve their goals	Borrowing to invest and borrowing to consume is a balancing act that all Wealth Builder's need to master.
9	Wealth Builders take risks	Because they accept Risk leads to Rewards. Each investment is made "on purpose" because it will help achieve their goals and with each risk recognised, understood and managed as part of making a smart decision to invest.
10	Wealth Builders stay on track using experts to coach, guide and strategise for them	A panel of experts including a Financial Planner, Mortgage Broker, Accountant and Solicitor form a circle of trust with Wealth Builders providing them with timely advice to protect, manage and build their wealth. Each expert works in harmony within the circle and is "client employed" to ensure that advice is impartial and helps achieve the goals of the Wealth Builder.

Advice to Make Smart Decisions

Every Carnegie Financial Planning Client is taken through our Advice Process. It is designed to ensure that our Advice is authentic, oriented to achieving your life goals and is built on a foundation of mutual trust and respect. There are six stages in our Advice Process and it usually spread across at least two face to face meetings

Our Advice Process

Our Advice Process starts with a **Discovery Meeting**. Think of it like a first date. We gather information about your current financial situation, your life and wealth goals. We ask you five very important questions and we use a **Financial Road Map** which you can take home with you. When we meet we will ask you:

- What is most important to you in life?
- What goals do you have that need time, money and a plan to achieve?
- Where are you now?
- Where do you want to be?
- What's in your way or stopping you?

After our Discovery Meeting we mutually agree to work together to achieve the goals you've identified and address the issues crucial to your financial wellbeing.

This agreement is documented in our **Terms of Engagement** which is a joint commitment to each other. We then begin the detailed process to prepare and present our Advice to you.

Presenting our Advice and gaining your consent to "Make it Happen" commits you to our Strategies and Recommendations. We then implement our Recommendations and agree on an **Ongoing Service Arrangement** with You.

You are the driver at the centre of Our Advice Process. Our role is get you to focus on Protecting, Building and Managing your Wealth now and with a clear direction and purpose for the future.

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This WEB is an introduction to the Ten Rules for Wealth Builders. Each week our Facebook page will provide more insight into each of the Ten Rules and how you can apply them to your Wealth Building.

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For more information about Carnegie Financial Planning read our Financial Services Guide available on our website. For more Wealth Education visit www.carnegie.com.au/wealth-education

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