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## PREFACE

It was early 1982, and I was an intern at a small accounting firm. It was then, early in my career, when I had a conversation with a client of the firm that stuck with me my entire life. The client was the wife of a dentist—a man with a good practice and a good income. Yet, despite their strong income, this family was always having financial problems—so much so that they had to hire an accounting firm to manage their personal finances. One day while on the phone with the client, she said to me that she did not understand how her husband could have such a good income, and yet the family still had financial problems. I have never forgotten the despair in her voice and the conversation we had.

That conversation was perhaps the genesis of this book. And that family exemplifies why this book is needed because, despite their good income, they had never learned how to effectively manage their finances, and that failure was negatively impacting their lives. Fast-forward several years to when I was contemplating writing this book, and I was having a conversation with a couple of my children about how education systems are failing with respect to teaching financial literacy. Our education system excels at training students to be great professionals, whether it is teachers, engineers, doctors, or accountants. We are also great at training students to work in the trades, such as plumbers and electricians. We work hard to prepare people to be able to work and earn an income. Unfortunately, we fail to teach people what to do once they have earned an income. We fail to teach people how to manage their finances and how to enjoy life, yet this is arguably the most important skill set they need.

Our failure to properly teach people how to manage their finances has resulted in an immeasurable amount of unnecessary grief and stress. As a degreed and certified accountant with over 35 years' experience, I have witnessed lots of misery and tears, all resulting from people's lack of ability to effectively manage the resources they have worked so hard to earn. Thus, I was not surprised when I came across a 2015 study on stress in America by the American Psychological Association. The study found that nearly three-quarters (72%) of adults reported feeling stressed about money at least some of the time and that 64% of adults say money is a somewhat or a very significant source of stress. Sadly, stress about money significantly reduces our quality of life, our happiness, and even our health. What's even sadder is that for most people, all this stress is unnecessary.

When I see the pain and suffering that is created by a lack of financial literacy, two things happen. First, my heart breaks for those who needlessly suffer. Second, I become stressed as I worry about my own children and grandchildren, and I wonder whether they will have the financial literacy to avoid all that unnecessary stress and pain.

I originally wrote this book to benefit my children and grandchildren. As they start out on their financial lives, I hope to provide them with some basic financial wisdom.

I hope to give them counsel that will bless their lives and help them successfully navigate the financial jungle. I hope to lead them on a journey and help them to discover the secrets that will lead them to a life of financial prosperity. I know that if they read and apply the financial principles discussed in this book, they will not only avoid the unnecessary suffering and potentially devastating impact of financial stress, but they will also secure financial prosperity, happiness, and independence, regardless of their income.

If you are like my children and grandchildren and just starting out in your financial life, if you were not taught personal finance in school, or if you are simply experiencing financial hardships, this book is for you. I know the financial principles outlined in this book can help you.

The concepts discussed in this book are basic financial laws that must be obeyed to achieve any form of financial success. They are the concepts that, back in 1982, would have well served my client: the dentist's family.

To my children and grandchildren, I have no hesitation in promising you that if you apply these financial principles, you will lead a happier and more fulfilled life. If others—besides my children and grandchildren—choose to read this book, I have no hesitation in making you the same promise. All those who are seeking prosperity and hoping to improve their financial situation can learn and apply these principles to benefit their lives.

Here's to a financially stress-free life!

PART I

# UNDERSTANDING MONEY

## WEALTH IS NOT A NUMBER

Most people want to build wealth, but they do not really know what wealth means, and therefore they cannot really build it. A financial institution recently ran an ad of people walking around with numbers over their heads. In this ad, they constantly asked the question, “What is your number?” What they were getting at is, how much money do you need so you can retire? What is your number? Personally, I think that an ad like that, from a financial entity, demonstrated a lack of understanding of what true financial success is. I know that it was marketing, but that kind of marketing leads to financial misinformation. It trains people to think that financial success, or wealth, is defined as a certain amount of money or a “number.” But I think there is a better way to define financial success—a way that results in much less stress.

Financial success should not be defined by money, but rather by time. Ask yourself this simple question: If I quit working today, how long could I live and maintain my current lifestyle? If you have enough resources to cover six months of expenses, then you are six-months wealthy. If you could live a year on your current resources, then you are one-year wealthy. If you could maintain your current lifestyle indefinitely based on your current resources, then you are independently wealthy. This is the stage all of us should seek to achieve, as this is the stage where we have true financial freedom. This is the stage where we can be free from financial stress.

The time—or the “number”—will be different for each person, as each person has or prefers a different lifestyle. Thus, by defining wealth by time, as opposed to money, you are customizing wealth to each individual person.

Now, I can hear you say, *but time is still a number*. Well, not really. See, if you have passive income—income that you receive, regardless of your labour—and that passive income exceeds your expenses, then you are free. Your number does not matter. Once your resources allow you to maintain your lifestyle, you are independently wealthy. Sure, you can always wish you had a nicer car, a bigger home, etc. But if you think in terms of time and not money, you will be able to sleep when the financial winds blow, you will have less stress, and you will lead a better life.

However, note that I talked about maintaining “your current lifestyle.” Lifestyle plays a secondary, but important factor in defining wealth. If I am willing to adjust my lifestyle, then my desired wealth is adjusted, as the amount of funds needed to maintain my lifestyle is adjusted. If your financial goal is to live like a hermit in some hut in the middle of nowhere, and you achieve that, then you are as wealthy as the billionaire with their own private jet flying around the world. Why? Because you both have all the resources you need to do everything you want. Anything more than that is wasted.

So, define wealth first in terms of time and second in terms of lifestyle. This is a more accurate and less stressful approach than defining wealth by money.

Now that you know to identify wealth, first in terms of time—not money—and second in terms of lifestyle, you are ready to start building. What are you building? You are building true financial freedom, as defined by time. You are building a life free from financial stress and worries. You are building the comfort that comes from knowing that you will always have a roof over your head, food on your table, and time to spend on things that you consider the most important. What this means is: do not focus your thoughts and efforts on the size of your bank account, rather focus your thoughts and efforts on the length of time that your assets can maintain your desired lifestyle.

To me, this is true wealth.

**KEY TAKEAWAY:**

**Wealth is defined first by time—not money—and second by lifestyle**