

FINANCIAL STAGES

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1. Survival

- Money coming in is less than total money going out for business **and** personal expenses
- Spending more than you're making
- Can go back to "survival" by letting personal spending get out of control
- Goal is to get to breakeven without going bankrupt
- Strategy is to conserve cash
- Increase your income
- Decrease your expenses

2. Income Taxes

- Are taxes being saved based on current year's income as opposed to prior year's estimated taxes?
- Can't get to later stages without providing for taxes
- Many people have a big issue with taxes
- Save for taxes based on a percentage of your "draw"
- Put money away whenever you take a "draw"
- Put the money in a separate savings account for taxes

3. Cushion

- Having "liquid" cash available for periodic fluctuations in income and unanticipated expenses
- Amount should be based on your own circumstances and comfort level
- Used to pay for emergencies, get-away vacations
- Also used to continue debt payoff and savings during low income periods
- Replenish cushion during the high income periods

4. Debt Payoff

- Smallest debt first
- Idea is to eliminate monthly overhead
- Start on a regular program with monthly debt pay down
- Accelerate mortgages to at least 15 years
- Need to do stage 4 and 5 together
- Get your income taxes and cushion set up first so you don't just swap debts
- Don't just pay off debt

5. Savings

- Pay yourself first
- Start now
- Start small and build up with your income
- Start on a regular program with monthly savings
- Use a separate investment account

6. Accumulation

- Invest over a lifetime
- Invest every month
- Buy and hold – don't be a "trader"
- Let the "time value" of money work for you
- Diversify pre and post tax investments
- Diversify by asset groups and within asset groups