

INTRODUCING A SPECIAL TOOL

Background

There are three contingencies each of us face – every second of every day. We can:

- Continue to live productively
- Be incapacitated
- Die prematurely

We also have three financial statements (whether or not we put them in writing). They are:

- Cash flow – money in and money out
- Taxes – income and estate
- Net worth – what's left

Putting it all together looks like this.

	Living	Incapacity	Death
Cash Flow			
Taxes			
Net Worth			

The stark reality is that the financial conditions you and your family face are dramatically different depending upon which contingency you consider.

Estimating taxes and calculating net worth can be the relatively easy part. The question that gives everyone the biggest challenge is “How much cash flow does one need?” – and for each contingency.

Even more specifically, how much do you need for living expenses while (1) you're working, (2) once you're retired, and (3) if you become incapacitated? Finally, how much does your family need for living expenses if you die – and for how long?

It is the answer to these questions that is, in my opinion, the foundation of the process of building a realistic plan for financial security. Guessing works – provided you're willing to "live" with the consequences.

So, what if you don't want to guess? How is it you figure out what you need?

Presenting ...

"THE FAMILY CASH FLOW RECORD"

We have designed the Family Cash Flow Record as a tool to help anyone discover what they currently receive and spend. THIS IS NOT A BUDGET. It's a record you create to evaluate what you spend and what is really needed.

It also has additional benefits.

First, we can almost guarantee you will discover a substantial amount of wasteful spending. We all do it. We just don't realize it.

Second, it's likely you will discover multiple ways to save money by thinking through more carefully how you spend money. For example, does going to Costco or BJ's save you money or do you actually spend more due to buying extra "stuff" or quantities that are too large.

Third, I'm a big fan of using credit cards – assuming they are used correctly, i.e. paid in full every month. The down side of their use, however, can be that one doesn't realize where the money goes. You just pay the bill. A careful review of the categories of expenses handled by credit cards will help you find out.

Fourth, we all spend money using a variety of tools. Take food and dining for example. Suppose you have three dinners and four lunches on credit cards. You write five checks for groceries and you used cash for six trips to fast food restaurants. In addition, there are two trips to Costco. You'll discover how much you really spend on food. It's the same for many categories of spending.

Fifth, it will help you remember those infrequent expenses such as annual insurance payments, quarterly water bills, etc., etc., etc. Out of sight – out of mind. Using this tool will bring all of those items back into focus.

Ideally, a careful review of your records for 12 months will give you a nearly complete picture. To get started, we suggest you begin with last three months and build the records over the next nine months thereafter.

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To be sure, it will be tedious and difficult at the outset. Over time it will become easier.

Here's what we know. If you take this seriously, there is no way you won't benefit. Try it for just three months and see if you agree.

Accessing the Family Cash Flow Record

The Family Cash Flow Record is available as either (1) a printable worksheet booklet for entering data by hand, or (2) as a Microsoft Excel file that allows you to enter your data into a spreadsheet via your computer. The printable version spreads the twelve months over two pages (JAN-JUN and JUL-DEC) to allow for adequate working space.

One final point. This tool is for everyone. There are no copyrights or prohibitions on its use. Anyone who visits our website has complete access. Feel free to share it with friends, family and colleagues. It is completely private and the information is not stored by us or available to us in any way.

We hope you try it, use it, and benefit greatly from it.