



MONEY MATTERS... BUT NOT THAT MUCH!



Why should I write about money? In my not-so-humble opinion, a lot of financial journalism pays no attention to the real issues faced by real people and has turned what could be useful guidance into a waste of pulp.

Money doesn't have to be complicated nor should it be considered without proper perspective:

Many years ago one of the lessons I learned at a children's organisation, Shishukunj, was that, **"If you lose your character, you have lost everything; if you lose your health, you have lost a lot; but if you lose your wealth, you have lost nothing."**

If we talk about luxuries, money may often be 'nothing' to lose and irrespective the rest of that lesson is profound. However when money is being used purposefully to improve the human condition, losing it isn't 'nothing'.

Housing, utilities, food, clothing, transport might be considered to be basic purposes but then what about education, health and charity; are any of these luxuries?

In order to **control** the money and not let it control you, having a life plan is essential – did anybody say, "If you fail to plan, then you're planning to fail"? Sure, life rarely turns out exactly as planned but no plan usually means a life without purpose and that's a real shame.

Let's say that a typical life plan for a person involves the following that are **All-the-time issues**:

Income - Employment and / or Business

Expenses - housing, food, clothing, transport, taxes, electricity, gas & water, charity etc

Then one might have plans for some or all of the following **Big events** (not exhaustive):

Higher / further education; Marriage

Children; Caring for parents

Children's education; Children's marriage

Grandchildren; Retirement; Death!

But what about the unknowns which lead to **Crises or catastrophes**? Unpleasant things such as:

Unexpectedly young death of a breadwinner, a homemaker or a carer – vulnerable dependents?

Unemployment

Illness or injury

Taking these in reverse order, let's consider the possible **Crises**. What can be done so that, if any of these unfortunate things befall us or loved ones, money does not add to the pain? **Take out insurance, write wills, appoint guardians for children, make provision in case of mental incapacity and use trusts.**

Regarding insurance, make sure it's 'not too little and not too much' insurance (yes, Goldilocks) – isn't there something unhealthy about being over-insured and knowing that there is financial gain that would come from bad things happening?

Of course if you don't know something bad is going to happen, you probably don't know when it is going to happen but you can guess when it might cause the most damage – this tells you the **period for which cover is needed**. The potential financial loss, immediate and future, shows the **amount and shape** of cover needed.

Now, about those **Biggies**, difficult to know when and how much, at any age let alone 21 or even 18, is going to be needed during the next 3 to 70 years for these events. But you can set **targets**, then use **conservative assumptions** (always be mindful of **risks**) for returns on your investments to work how much needs to be saved now and in the future.

Hopefully the figure for the Biggies' savings will be well within the limits of your net income after the All-the-time expenses and the Crises are deducted. If not, can you economise or have more realistic goals?

Speaking of which, the **All-timers** are the source of the **Cashflow** that make the rest possible or not. Income minus Expenditure equals your Cashflow.

If the **main source of Income is likely to be your human capital**, isn't education the most important investment that needs to be made by ourselves? (Tip: think in terms of time more than money)

Expenditure? I like to buy things that last but sometimes I buy things that I don't need, which is an example of what not to do! **Happiness** comes from achieving the Biggies and **peace of mind** from protection against the Crises but everything is **controlled** by the All-the-time issues.

Whatever your age, it's the right time to be **Thinking about your Life Plans**, is it not? As easy as ABC...

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