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## ***CHAPTER SIX***

### **FINANCIAL SUCCESS**

***Buy what you want when you want it.***

#### *Synopsis*

*Ways of dealing with debt, your financial workout, how to invest for financial success and how to keep it from fraudsters.*

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Theresa Gertrude O'Malley had always had a dream of visiting New York. She had struggled all her life to ensure that her children were well fed, clean and polite, even if their clothes were repaired often and handed down to the younger siblings. She had married young, to her childhood sweetheart who was several years older than her. Patrick had passed away. Now, physically frail but in full command of her mental faculties, she was spending her twilight years in a warden assisted apartment. This allowed her to retain her pride and independence, with the security of knowing that there was always someone on call in the building if a crisis arose.

Because her three children had joined the armed forces, from their own choice, it seemed a cruel twist of fate that two had made the ultimate sacrifice for their country. Theresa Gertrude O'Malley was looking forward to her birthday the following week. Her library book fell to her lap as she went to sleep with a contented smile, thinking that her youngest daughter, Bernadette, would soon be visiting to help her celebrate. Bernadette arrived a day early. She carried an empty suitcase and waved an envelope at her mum. Despite having lived in London for many years, she still had an Irish lilt to her voice as she said,

“Get packing, we’re off for a week in New York tomorrow. It is all booked and paid for and we will be travelling first class all the way to our five star hotel in Times Square.”

The old lady had a suspicious glint in her eye. “And how, did you pay for it? If it was on one of those blessed credit card things, I am not going and neither will you! If you expect me to thank you for getting into debt and wasting money you can’t afford, then you had better think again.” Bernie tossed her long auburn hair and, with a twinkle in her eyes said, “Relax Mum, I did it all with your little brown envelopes. Just like you used to do, every month I put aside the money I needed for my outgoings and a little aside for this trip. I did not have brown envelopes like you used when we were kids but instead I put my savings into the bank. The result is the same in that I had some money to spare for this birthday trip.” Theresa Gertrude O’Malley, reclined her seat and allowed her eyes to close. As she drifted into a happy sleep, the words security and independence were repeating over and over in her mind. If only her beloved Patrick knew, he would be proud for them both and for Bernadette’s financial success. But maybe he did know?

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What does financial success mean? This will depend on your circumstances at the time of asking. For some people it means getting out of debt and having money left over at the end of the week. For others it means owning a private jet and a limousine. For others it means celebrity status. What is truly important is for you to decide what financial success means to you. Before you can answer that question you need to identify your exact financial position now.

**SELF DIAGNOSTIC  
BOX**

What does financial  
success mean to me?

### **Monthly outgoings**

Do you know exactly what you spend or exactly what your outgoings are per month? Without this knowledge you will have no clear understanding of your finances and, instead of creating success, will have to trust to luck.

The table below is a guideline for you to work out where you are now. The only rule is to be honest because your future success is built on absolute honesty. If you have debts you must be honest about them to.

| <b>Outgoing description</b>   | <b>Amount per month £</b> |
|---|---------------------------|
| <b>Residence costs</b> – mortgage or rental payments  |                           |
| <b>Sustenance</b> – food, household products, pet food etc.   |                           |
| <b>Utilities</b> – gas, electric, water, phones (including mobiles), etc.   |                           |
| <b>Local tax</b> – community, council etc.<br><br>If income tax and national insurance are not deducted from your pay at source record them here. |                           |
| <b>Travel costs (public)</b> – train, plane, bus, underground etc.  |                           |
| <b>Travel costs (private)</b> – car or motor bike, car/bike loan or leasing, fuel, MOT, repairs, tax, services, cleaning, parking, etc.           |                           |
| <b>Clothes</b> – all forms of clothing including shoes, uniforms, work overalls, suits, casual, sports, dry cleaning, etc.                        |                           |
| <b>Insurances</b> – household, car, life, disability and serious illness, pets, etc.  |                           |
| <b>Pension provisions</b> – pension payments  |                           |
| <b>Other household expenses</b> – home and garden tools, repairs, replacements, supplies, furniture, furnishings etc.                             |                           |

|   |  |
|---|--|
| <b>Debt repayments</b> – credit cards, store cards, personal loans from friends and family, bank loans, study loans (unless already included above), bank charges etc.                    |  |
| <b>Personal expenses</b> – haircuts/styling, nails, massage, therapies, make-up, gymnasium, etc.  |  |
| <b>Children</b> – specific child expenses such as nursery, nanny, babysitting, school/university fees, pocket money, school trips etc.  |  |
| <b>Entertainment</b> – films, DVD's, music, shows, restaurant, take-away meals, bars, books, seminars, social events, all TV costs, dance/evening classes, broadband, boats, hobbies etc. |  |
| <b>Projects</b> – Building an extension, conservatory, garden designs, kitchen etc.   |  |
| <b>Contribution to society</b> – charities, governor groups, parents' associations, church, synagogue, mosque, temple etc.  |  |
| <b>Holidays</b> – annual holiday, weekenders, visits to family etc. (Remember to break this down to monthly costs)  |  |
| <b>Investments</b> – monthly life policies, bonds, ISAs, any investments, etc.  |  |
| <b>Extra expenses</b> – anything you buy not included above such as lunch (workdays), newspapers, drinks, lottery, birthdays, Christmas, gambling, etc.                                   |  |
| <b>TOTAL MONTHLY EXPENDITURE</b>  |  |

Well done if you completed this task! I know how just getting this information together can be a challenge if you have never done it before. Apart from the time and effort involved, there is the emotional aspect of fear for some people who, until now, figured they would somehow muddle through as they always have before and would rather hide from the truth. Yet almost as many are happily surprised at the result as those who are somewhat concerned.

The good news is that you only need to do the whole thing once; then you can update it monthly or, if you have a very stable lifestyle, whenever anything significant changes. If you have found that your outgoings are more than your incomings, you must plan and take some drastic action to restore the balance. There are two areas for consideration here. The fastest way is to look at each item in the list above and see how you can cut back on either the cost or frequency of each spend. You could also explore the options for increasing your income by changing jobs, working additional overtime or turning a hobby into a profitable business sideline.

### **16 Tips for saving money**

1. Shop on line at comparison sites to get the best deals for everything.
2. Set up direct debits for regular payments to avoid extra charges.
3. Research the possibility of having a water meter installed and do a price comparison of the prices you would have paid in the last 12 months, with and without a water meter installed. This way you can make your decision based on the figures. If you live alone or with one other, and you are not metered, you will be paying the same as a large family and you may find the meter system a cheaper alternative.
4. Have an interest paying current account and shop around for the best rates.
5. Pay off your credit cards at the end of each month. If you set up direct debits you will avoid paying high interest charges and it will become a true credit card rather than a 'debt card' which it is for most people. Remember you are never in credit with a 'balance' on these cards. You are always in debt as soon as you slip past the interest free periods.

6. Turn off all electrical goods and lights when you are not using them. This means all and any appliances as several appliances left on standby can increase your energy costs alarmingly.
7. Have a look at your entertainment expenditure and find ways of cutting back. If you go to a restaurant every week consider going fortnightly or finding a cheaper place to go. Every penny saved will be a penny for your future financial success.
8. If your budget is high and your holiday costs are also high then this is an area you could temporarily cut back on for the next couple of years or until you have a financial budget that is able to accommodate trips. Consider talking to your family or friends about sharing holidays or staying with your family for a break.
9. Stop buying lunches and 'designer coffees'. Prepare a packed lunch and take that with you.
10. If you buy a newspaper every day, break the habit and get your news from the internet or listen to the radio. If your paper is just for something to read on the journey into work, go to the library and borrow a book, perhaps one on money management.
11. Look at your personal expenditure and if you are visiting an expensive hairdresser, find one who has left the salon and set up a mobile practice. Then you will be paying for the cut and not subsidising the overheads of the salon.
12. Cancel your private gymnasium membership and go to a local authority gym. They are usually as well equipped with fees at half the cost of a private gym. Or, do as I did, and find a sport which does not need to be financed every month.
13. Ideally seek independent professional financial advice to consider organising a flexible debt repayment scheme for all your credit, loan and current debt. Remember you need to do this in line with your outgoings. Remember to reduce costs wherever you can and do not purchase anything outside of your budget no matter what happens.
14. Sort out all the stuff you have not used in the last two years and sell it. Sell all your unwanted goods at boot sales or on the internet. There are buyers for most things.

**SELF DIAGNOSTIC  
BOX**

What savings in my  
monthly expenditure  
can I make now?

- 15.** Always carefully check your bank and credit card statements every month to ensure all the transactions belong to you. Mistakes happen, as does fraud, and it is your responsibility to contain this.

### **Do you know your net worth?**

Do you even know what net worth means? Well done if you can answer ‘yes’ to this question. The chances will be that you already have investment plans and strategies in place.

Net worth is the difference between all your assets and all your liabilities. In other words, if you were to sell everything you own (and I do mean everything!) and paid off everything you owe, then your net worth is what is left in your bank or pocket.

American businessman and property developer, Donald Trump, who is allegedly worth hundreds of millions of dollars, is reported to have commented, when passing a tramp begging on the streets of Manhattan, “That man probably has a greater net worth than I have.” His remark was from his acute awareness that, at the time he is purported to have said this, his property empire was mortgaged several times over. His ‘wealth’ was an illusion based on debt.

For simplicity here, your net worth is what you have when you have calculated all of your assets and taken away all of your liabilities. Also, I have separated out some of the assets to enable you to have a clear picture of your finances. Let’s do it!

| <b>No</b> | <b>Description</b>  | <b>Value/Amount</b><br><br><b>£</b> |
|-----------|---|-------------------------------------|
| <b>1</b>  | <b>Fixed Assets</b> – items difficult to sell quickly<br><br>Property owned - <b><u>not your home</u></b> (market value |                                     |

|                               |  |  |
|-------------------------------|--|--|
|                               | minus outstanding related debts)<br><br>Business collateral<br><br>Specialised collections, art, stamps, classic cars,<br>memorabilia<br><br>Other   |  |
| <b>Total of Fixed Assets</b>  |  |  |
| <b>2</b>                      | <b>Liquid Assets</b> – items easy or quick to sell (Not<br>money or cash)<br><br>Pensions<br><br>Life insurance<br><br>PEPs, ISAs,<br><br>Stocks, shares, bonds, etc...<br><br>Endowment policies (resale value not surrender<br>value)<br><br>Long term savings (notice needed for withdrawal)<br><br>Collections, art, stamps, memorabilia, etc. easy to<br>sell |  |
| <b>Total of Liquid Assets</b> |  |  |
| <b>3</b>                      | <b>Money</b> – cash or savings<br><br>Bank accounts<br><br>Saving accounts (instant withdrawal)<br><br>Cash<br><br>Other cash equivalents  |  |
| <b>Total of Money</b>         |  |  |
| <b>4</b>                      | <b>Home</b> – current market value of your home minus<br>any related debts (mortgage)  |  |

|   |   |  |
|---|---|--|
| <b>Total of Home</b>                                |   |  |
| <b>5</b>  | <b>Possessions</b> – personal belongings of value<br><br>Jewellery, musical instruments, vehicles, bikes,<br><br>electrical goods, etc. |  |
| <b>Total of Possessions</b>                         |   |  |
| <b>Add the totals from 1 to 5 = Total of Assets</b> |   |  |

Please note that money is a liquid asset. To make it easier for you to get a clear picture of your personal finances I have separated money from the other liquid assets because you can have immediate access to it.

Now we need to have a look at your liabilities, these are what you owe to other people.

| <b>No</b>                   | <b>Description</b>  | <b>Value/Amount</b><br><br><b>£</b> |
|-----------------------------|---|-------------------------------------|
| <b>1</b>                    | Outstanding amount on mortgages (other than allowed for in 4 above) |                                     |
| <b>2</b>                    | Credit card debts   |                                     |
| <b>3</b>                    | Store card debts  |                                     |
| <b>4</b>                    | Other loans<br><br>(include hire purchase and leasing agreements)   |                                     |
| <b>5</b>                    | Business loans  |                                     |
| <b>6</b>                    | Student loans   |                                     |
| <b>7</b>                    | Other debts   |                                     |
| <b>Total of Liabilities</b> |   |                                     |

Now that you know your liabilities and your assets, you can calculate your net worth.

|   |                  |
|---|------------------|
| <b>Calculation</b>                                | <b>Net worth</b> |
| <b>Total of Assets minus Total of Liabilities</b> |                  |

Well done if you have completed these tasks. It can be hard work but it will be time well spent because your potential permanent gain will be many times greater than any temporary pain. I hope that the net worth figures are positive for you.

Remember that even if you are in a negative net worth position at the moment, this does not mean that you will always be in that situation. I would recommend that you make an appointment with your bank manager or an independent financial advisor, with the aim of working on a debt recovery programme. Then you can stop worrying, start taking control and then concentrate on planning your future financial success and security.

If you are already in a positive net worth situation, you might like to examine the returns you are getting on your investments. Have you recently compared these percentages in relation to the national average returns and the top rate of returns? Many people set up investments and then rarely check them. There are two good reasons to revisit them:

1. The performance of your investment may not be keeping up with the current market place and it may be worth moving your money.
2. Your own attitude to risk may have changed and therefore you might look at the investments in a different light.

Why not use this chart to assess your current attitude to risk.

|                                  |                              |                             |   |                     |
|----------------------------------|------------------------------|-----------------------------|---|---------------------|
| <b>Your attitude<br/>to risk</b> | <b>Investment<br/>return</b> | <b>Financial investment</b> | <b>Investment in property<br/>including building projects</b> | <b>%<br/>return</b> |
|----------------------------------|------------------------------|-----------------------------|---|---------------------|

|                      |                           |                                    |   | <b>example</b> |
|----------------------|---------------------------|------------------------------------|---|----------------|
| <b>Very high</b>     | Double your money or more | Futures or options market          | Land planning application   | 40-400         |
| <b>High</b>          | Not as high               | Adventurous fund – emerging market | Property development project  | 25-55          |
| <b>Medium</b>        | Medium                    | Managed fund                       | Property conversion   | 12-35          |
| <b>Cautious</b>      | Low to medium             | Bond                               | Simple renovation project   | 5-25           |
| <b>Very cautious</b> | Low                       | Fixed interest                     | Buying a repossessed house in good condition priced below the market rate | 5-10           |

Most knowledgeable investors will ‘spread their bets’, which means having a little bit of the total in three or more areas. This method protects some of the money from total loss and simultaneously allows some of the money to grow exponentially. The overall returns are likely to come out around the medium to high on a bull market (good market which is growing and prices are going up) and medium to low in a bear market (poor market where the prices are coming down).

One of the greatest pieces of advice I was given when I had my first bonus payment was to split it over three risk money chests.



I divided my bonus by three and put an equal share into a low risk, medium risk and a high risk investment. This is an example of 'spreading my bet' because I spread the money and the risk at the same time. I do this with all windfalls or unexpected income, probably because I like a little flutter and do not like losing hard earned money. It gives me the best of both worlds; some security and a little gamble.

### **Income generation**

So far we have been discussing what you have and how to invest it. Now we are going to look at some ways to earn money. If your definition of financial success means having a significantly large income, then you will probably need more than a salary to generate it. Your thoughts will turn to multiple streams of income where the money derives from different sources. Most seriously rich people have multiple streams of income and so do many companies.

In Britain, it is difficult to talk to anyone about success and wealth for very long, before Richard Branson is mentioned. His Virgin Group includes trains, planes, media, retail, publishing, soft drinks, spirits, mobile phones, satellite TV, radio, holidays, banking and, by the time these pages are published, he will probably have come up with even more areas to invest in. If multiple streams of income are good enough for Richard Branson, they sure are good enough for me.

The question is, how can I do this? Well, as I mentioned in the first chapter, you start from where you are and make a plan. Here are some ideas of the frameworks for multiple streams of income, but you will need to do your research to select which will suit you and how you are going to make it happen.

Here are the some definitions of income under the multiple streams banner. I have left space at the bottom for your own ideas or others you have heard about.

| <b>Money generator</b> | <b>Have it<br/>already ✓</b> | <b>Amount generated<br/>per annum £</b> |
|------------------------|------------------------------|---|
|                        |                              |   |

|   |  |  |
|---|--|--|
| Main employment   |  |  |
| Second job  |  |  |
| Owner of small business   |  |  |
| Shareholder in small business   |  |  |
| Property investments  |  |  |
| Stocks and shares investments   |  |  |
| Multi level marketing product   |  |  |
| Internet website with a membership area   |  |  |
| Internet website with products  |  |  |
| Write a book or an e-book   |  |  |
| Affiliate marketing – this means selling other peoples’ products on your website or linking an affiliate programme to their website |  |  |
| Speaking or training in your area of expertise  |  |  |
| Produce CDs and/or MP3s on your specialist subjects   |  |  |
|   |  |  |
|   |  |  |
|   |  |  |
|   |  |  |

Now you need to decide which one you are going to do next. What do you need to do to get started on this income stream? Make a list of the steps involved and start taking action. Before you know it you will have another income and once you have one going you can start another.

### **Active and passive**

The main thrust of this entire book is about you taking responsibility for your own success and this inevitably means that you have to take action. Let me swerve away from that theme for a moment, by suggesting that there is at least one instance where 'passive' is best.

No matter how hard you work, there are only so many hours, days, weeks and months when you can keep going. This, of course, imposes a limit on your potential wage, salary or earnings. I have already mentioned investments where, once you have taken the initial action and, if you have chosen wisely or because you have chosen wisely, your wealth will increase with no further effort on your part. This presents a slight snag in that, if you decide you want to enjoy the fruits of your wisdom, you will have to sell your shares or other investments in exchange for real cash. So you will have your pleasure but you will no longer have that particular wealth generator.

Many millionaires were created during the 1920s and early 1930s when the insurance industry was booming because all manner of products were targeted at people who, hitherto, had been unable to afford even a few pennies a week. Now pennies do add up into pounds. The early insurance salesmen would earn a very modest commission from each sale and this met their immediate family needs for food and shelter. Those who made millions did so by taking an even smaller commission! They did so in return for a 'residual' commission of a small percentage of each annual renewal premium paid by their clients.

Don't bother even trying to do the maths, but just imagine 100 new clients a year, each paying an annual premium for up to 40 years and the salesman gets his cut each and every time. Some of them 'retired' from selling after just a few years on the road and built vast fortunes from this residual, passive income.

Passive income is money that flows into your account whether you are awake or asleep, at home or on holiday, working 9 to 5 or even writing a book. The internet is now creating passive incomes for many entrepreneurs around the world.

**Protect what you have**

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Once you have control of your finances you need to protect them from fraud. Reports in the media have stated that one in four people in the UK either know a victim or have themselves been affected by some form of identity theft. It can take 300 hours or more to clear your name and reputation if someone commits fraud in your name. This cost in time, loss of earnings and sheer inconvenience should be enough for you to take notice. Add the damage to your credit rating, the possible freezing of bank accounts, and the embarrassment of bouncing cheques to give you a few compelling reasons to take some action to protect your finances.

### **Ten ways to add layers of protection**

- 1.** Shred! Buy a diamond shredder and use it on anything which has your name, address, telephone number, banking details, and any personal information. This also includes unsolicited junk mail offering credit cards because thieves will steal these and then apply on the forms which are pre-printed with your details.
- 2.** Buy a safe or a lockable cabinet, hide it somewhere secret in your home and store all personal documents in it.
- 3.** Be vigilant with your post. If you have applied for a credit card or other facility put a reminder for yourself to check that it has arrived within a few days and, if you have not received it, call the supplier and tell them, as it could have been intercepted in the mail. It is estimated that some 14 million items of mail are lost every year. If you live in a property where other people have access to the mail be extra vigilant.
- 4.** Develop a phone phobia around your personal information. Never give any personal details over the phone unless you have checked the legitimacy of the person and the phone number and preferably dial their number yourself for authentication. Never give out your full pin number as reputable organisations will never seek it. Be aware of who is listening, especially if you are using a mobile phone.

5. Be very cautious with emails purporting to come from a bank which asks you to fill in a form for any reason whatsoever. Never reply. If you think it *could* be genuine, telephone your bank (don't just hit 'reply' on your email!) and check before responding.
6. Never respond to telephone calls or emails which state that you are A WINNER. If you have not entered a competition or a draw you cannot possibly be a winner, so it will always be a scam. If you have to pay an administration or other charge to receive your winning prize this is definitely a scam and you should report it to the police.
7. Passwords and pin numbers need to be different. Keep your banking password different from all other passwords, never write it down and never keep it (or your PIN number) with bank cards.
8. Take care if you are offered an investment which seems too good to be true. If the returns are much higher than expected and the marketing hype is glossy be extra vigilant. Do due diligence and research the investment. Avoid the investment unless every claim can be verified.
9. When you speak to a financial advisor you need to know the costs involved and whether they are truly independent. What are the charges and how will you be expected to pay? Be alert if you are told the charges come from the investments – ask what happens if there is a market downturn. Ask what percentage of your investment the financial advisor will get and if there are annual, management and maintenance charges and how much these would be.
10. Always ask the costs of cancellation or opting out of any investment, mortgage or other financial deal. Some companies have low charges to get you and your money on board, then impose punitive penalties if you want to move on.

We have covered many things in this chapter at a 'big picture' level and this means that you now have some ideas and need to find ways to take your ideas forward. You have a process for finding your net worth and you have a platform to build upon by knowing your net worth. Multiple levels of income are important for financial success, so decide which ones will work best for you and get going. Remember to protect the investments you already have and know your attitude to risk before you invest. Building

financial success is great fun and I love thinking of ways to increase my income and maintain my work life balance, and I am sure you will too.

#### **SUCCESS BOX**

- 1. Know your monthly outgoings**
- 2. Where can you make savings?**
- 3. What is your net worth?**
- 4. What liquid and fixed assets do you have?**
- 5. How can you have another income stream?**

**Action I Will Take**  
  
**Completed On: //**

**Action I Will Take**  
  
**Completed On: //**