Risk May Not Always Equal Reward

Have you been told that in order to grow your wealth you have to accept financial risk? You may not have to. You can work to get ahead without putting everything you've worked hard for at risk.

The Traditional Formula

Traditional financial thinking often attempts to satisfy a stated future financial goal or target (like college tuitions or retirement) by using the following mathematical formula:

Target = Money X Time X Rate of Return

The common theory is that if the future target is known, one can "back in" to a financial strategy by having 3 of the 4 variables listed above. For example, if a person needs to accumulate $1,000,000 for retirement (Target), and that money won't be needed for another 25 years (Time), and if money is assumed to grow by 10% each year (Rate of Return)... then it can be calculated that this person must save about $9,250 each year, in order to hit the goal.

Sounds simple, right?

In reality, there may be a host of problems with this approach to financial decision making. These problems have contributed to consumers finding themselves behind in their wealth building journey. And, one solution has nothing to do with asset allocation.

Here's why...

The Real Cost of Living™.

Many people feel frustrated and ask "Why am I not getting anywhere financially?" A long list of economic realities may answer this question as they can join together to put pressure on your money.

These forces include inflation, rising taxes, new inventions being created, old products wearing out, a desire to have an improved standard of living today, and certainly the impact of unexpected life events. If your balance sheet is not growing, the impact of these financial obstacles can be magnified.

In response, simply "hoping" that you will enjoy an attractive rate of return on your money may not be the only solution. For many consumers, the past decade may have produced disappointing market returns. All the while, personal balance sheets may have suffered as the Real Cost of Living™ tightened its grip on American households.

Traditional thinking may not focus on savings.

Unfortunately, some financial strategies may not have considered the Real Cost of Living™ and, may not have placed a focus on savings.

In our example, if a person only realized a return of 5% (not 10%) during the same hypothetical 25 years prior to retirement, then the $,9250 of savings would only create just $463,000 (not $1,000,000). A shortfall of over 50%!

We have seen this reality play out across the nation for the past few decades. For many, it is like walking backwards while enjoying the beautiful landscape behind them. What they don't see is the obstacles they may be heading toward.

As a result, personal savings is at all time lows (less than 5%) and in some cases actual investment gains, may not have materialized.

As time continues to pass, Americans may be ill prepared to pay for college or enjoy their own retirement.

Become a saver before an investor.

Today, far too many consumers "invest" in market based assets and may never focus on saving. This approach may lead to inappropriate levels of risk and may lack the liquidity to be able to respond to changing life events.

Unemployment. Parent care. A flood, hurricane, or tornado. A medical emergency. These, and other unexpected surprises in life can be devastating... especially, without enough liquid savings.

Therefore, it is prudent to have as much as one year annual household income saved. Maintaining an higher level of liquid, funds on the balance sheet is a key element of being well balanced financially.

Save, save, save.

Regardless of the order that is chosen for saving or investing... the real key to wealth building is having ample amounts of "new money" reach your balance sheet each year. It can be proven that the level at

We don't ask you to take on more financial risk. Instead, we recommend strategies to help improve your financial position.

which you save may be more important than the rate of return you hope to receive. When it comes to knowing you are reaching your personal wealth building potential... nothing beats simply saving more!

Rate of return results are unpredictable and often difficult to achieve. You work hard for your money. Saving more each year may actually allow you to lower the risk you take with your money.

Take control.

To gain real control of your financial future, you should systematically allocate 15-20% (or more) of your gross annual income to wealth building opportunities. And the more you make... the more you should save.

So, if the person in our example has an income of $200,000, improved savings should be the focus. They should consider saving 15%, or a minimum of $30,000, each year. As income increases over time... savings should increase as well. What is it that is blocking this person's ability to save?

Dramatically increasing the amount you save might seem daunting. However, it can be achieved by selecting strategies that lower your taxes and insurance costs, eliminating debt, owning a home that is affordable, and enjoying the benefits of living a budgeted lifestyle.

The LBS Way.

We can help you with these strategies:

1. **Protect first.** Everything you have worked hard to achieve can disappear in a moment if you don't have financial protections in place. We help you implement the financial protection… at the lowest possible cost.

2. **Reduce taxes.** We identify strategies and products to reduce the impact of tax liabilities over time. The result: more for you and your family to use in a way that creates real value in your lives.

3. **Tackle debt.** We help you restructure your mortgage and loans and develop an approach that can help eliminate debt… so you can avoid the high cost of paying interest.

4. **Save 15-20% each year.** Saving enough can allow you to defend against the Real Cost of Living™, become better protected, reduce the risk on your money, and realize your wealth building potential.

5. **Create a budget… and stick to it.** To save more you will have to get organized… and stay organized. The best budgets are those that give you a hierarchy to follow so you can make value based cash flow decisions.

When these strategies are implemented and carefully followed, individuals can be better off financially regardless of the market. Individuals who embrace cash flow strategies may put themselves in a better position to achieve their financial goals.

Additionally, throughout their journey, they have financial confidence. Their money can be protected even if life throws a curve ball.

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