

FINANCIAL FITNESS ... FOREVER

**ABSTRACT**

This workbook is the first step towards financial freedom and wealth creation. It is not only a practical guide but also helps the participant to think about his own financial fitness from his own mindset.

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## Financial Fitness - Forever

'A Workbook compiled by Eben Smith from Dragon Wealth

### 1. Introduction

Financial fitness is like anything in life. You need to do your planning, you must bring your plan to action and then you must ensure that your action is established in good habits. Being financially fit is not complicated, but it is difficult to perform and maintain. The secret is to achieve small victories. The easiest way is to divide your financial life into small steps and systematically master it. Aim to work wisely with your money for just one month. Try to do it for another 3 months and then for 6 and then finally for a year. If you can work successfully with your finances for 1 year, you can do it for 5 years. And if you can do it for 5 years, you really have a chance not only to be financially fit but to also be financially successful.

*Your financial life is like any relationship. It is based on respect and trust. If you have respect for your money then your money will also respect you.  
IF you do not respect your money then someone will get hurt...it will not be your money.*

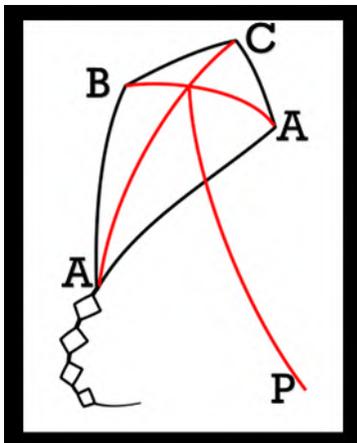
Use this workbook as a guide to your own life. Change and cut your plan until you get a workable financial plan that fits your life. Good Luck!

### 2. The Model

The Kite Model on the next page is the direction in which every person should grow in terms of his/her finances. is die rigting waaraan elke mense, ten opsigte van sy finansies, behoort te groei. You need to:

- **A – nalysis:** Regularly measure where you stand financially. Someone who wants to be physically fit or lose weight must regularly measure their progress.

- **A- ttitude:** Your mental attitude. To do it right, you must strat thinking correctly. It also works the other way around: if you start making the right money dicisions you will also start thinking correctly about your money.
- **B-ehaviour:** Bad money habits need to be replaced with good money habits.
- **C-ontrol:** You need to build control systems to ensure that your financial fitness stays a lifelong habit.
- **P-assion:** Live a life of love and do the things which you love. And if you can earn an income from it, you will ensure lifelong happiness for yourself.



*A – Analysis*  
*A- Attitude*  
*B - Behaviour*  
*C - Control*  
  
*P – Passion*

**Section 1: Analise:**

Begin with the exercise below and be as painfully honest as you can be.

Give yourself a score out of 10 for each question:

|   |  |
|---|--|
| 1) Are you busy each month with “juggling” between creditors.   |  |
| 2) Do you still need to pay last months bills when the new months bills arrive  |  |
| 3) Are you constantly in arrears with payments  |  |
| 4) Are you afraid to receive post because there might be reminders for overdue payments                                   |  |
| 5) You do not want to know what is going on in your account   |  |
| 6) You do not know what the terms and conditions of your morgages and loans are – you only know that you have to pay      |  |
| 7) You only pay the minimum payment on your credit cards and if you reach your limit on one card you jump to the next one |  |

|  |  |
|--|--|
| 8) You always paid with cash and now everything is on credit   |  |
| 9) When you take out a loan you always ask for the longest payment term possible for repayments                        |  |
| 10) You sometime make loans from friends to get you through the month  |  |
| 11) It makes you feel good if you are offered another card or a loan – it makes you feel like you are someone of value |  |
| 12) You have little or no savings and no “back-up” if something had to happen to you or you loose your job.            |  |
| 13) You have no idea about your monthly expenses or how it weighs against your income                                  |  |
| 14) You sometime do shopping to feel better.   |  |

The above mentioned are all examples of bad financial habits. You must reverse the above mentioned statements if you want to be financially fit. Note how many of the above questions have to do with someone who “does not know”. Your first step to financial fitness is to get on that scale and look the monster in the eye. It’s beter to know and then dicide what to do than not knowing and doing nothing... Here we go.

### 1. Your financial digit: Balance sheet

Your financial figure is a FINANCIAL figure and not a figure that determines your value as a person. This is a figure that you monitor annually to help you plan for retirement and estate planning. This is divided into two parts. What you owe to what you own. The difference between these two is your financial figure. Tere is no ideal figure because it depends on your life goal and your lifestyle. There are people who want to claim that your financial figure must be in millions the same as your age. In other words if you are 30 you should have 3 million rand and if you are 48 you must have 4.8 million rand etc.

Complete the balance sheet on the next page as thoroughly as possible:

| What I own (at current market value) | What I owe  |
|--------------------------------------|-------------|
| Private Home _____                   | Bond: _____ |

| Investment Properties      |                      |
|----------------------------|----------------------|
| 1. Property 1 _____        | Bond 1: _____        |
| 2. Property 2 _____        | Bond 2: _____        |
| 3. Property 3 _____        | Bond 3: _____        |
| 4. Property 4 _____        | Bond 4: _____        |
| 5. Property 5 _____        | Bond 5: _____        |
| Stocks _____               | Overdraft: _____     |
| Shares in Businesses _____ | Credit Cards: _____  |
| Cash _____                 | Consumer debt: _____ |
| Total: _____               | Car debt: _____      |
|                            | Total: _____         |

My financial figure is? \_\_\_\_\_

## 2. My lifestyle figure: The cost of my lifestyle

Your lifestyle cost is very important because a healthy lifestyle figure will enable you to enhance your financial figure from the previous section.

*The two golden rules of finance are: 1. Living within your ability and 2. Pay yourself first. (Sir John Templeton)*

You want to reach the point where you no longer spend more than what you earn. In other words then you are living within your ability and you will not move into debt more deeply. The further ideal is that you will learn the habit of saving money or to “pay yourself first”.

Fill in the below as well as you can. It is advisable to walk for a month with a small booklet in your pocket (you can also use your phone) and wright down exactly how much you spend and what you spend it on.

Write down what you earn and that which you spend:

| <b>Personal Income Statement:</b>        |       |
|--|-------|
| <b>My monthly incomes are:</b>           |       |
| Income 1:                                | _____ |
| Income 2:                                | _____ |
| Income 3:                                | _____ |
| Income 4:                                | _____ |
| <b>Total monthly income:</b>             | _____ |
| <b>My monthly expenses are:</b>          |       |
| Saving: Long term (Retirement)           | _____ |
| Saving: Medium term (car, holiday, etc.) | _____ |
| Saving: Short term (Emergency Fund)      | _____ |
| Mortgage on my home -                    | _____ |
| Loan on car -                            | _____ |
| Pay for tuition fees -                   | _____ |
| Loan for business -                      | _____ |
| Clothes and credit debt -                | _____ |
| Taxes -                                  | _____ |
| Medical Aid -                            | _____ |
| Household and car insurance -            | _____ |
| Living Expenses: Travel expenses -       | _____ |
| Living Expenses: Municipality bills -    | _____ |
| Living Expenses: Groceries -             | _____ |
| Living Expenses: Maid/ Gardener          | _____ |
| Living Expenses: Dining out/ Take Aways  | _____ |
| Living Expenses: Other Fun Stuff         | _____ |
| Living Expenses: Health (gym)            | _____ |

Living Expenses: Charity \_\_\_\_\_

**My total monthly expenses are:** \_\_\_\_\_

**Monthly income:** \_\_\_\_\_

vs

**Monthly expenses:** \_\_\_\_\_

If your income is lower than your expenses, you urgently need to make a plan by increasing your income or reducing your expenses. Furthermore if you have not filled in anything in your savings section, you will also need to pay attention to your lifestyle expenses.. This is discussed in the next section.

## Section 2. A – Attitude

### 1. Life Value

To make adjustments as mentioned above means that in many cases you will have to think differently about money and also the role that money plays in life. It is all about life values: Think about the following sentence : **Money follows life..**

“Money follows life” simply means that money flows towards that what matters most to you.

To become financially fit therefore also means thinking about your life priorities You will have to choose 1. How important is this matter to me? and 2. Is it supposed to be this important? You will be surprised how little you really need in life to be happy. A lot of research has been done on this subject and it seems that you only need four things to be happy in life:

1. Healthy challenges;
2. Healthy relationships ;
3. To give meaningful contributions to life
4. To experience joyful moments.

Think about your life for a moment. What do you have from the abovementioned aspects and where do you still need more challenges, healthy relationships, meaningful contributions and joyful moments in your life? Think of things that will not necessarily cost a lot of money. To enjoy the sunrise in the morning with your loved ones, for example, costs no money.

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## 2. Healthy Money-Rules

Few of us like rules but these rules will determine if you stay financially fit for the long term. As a child, you are taught that there are certain things that a man just does not do and certain things a lady just does not do. Or if you want a lifetime of healthy living, you need to drink two liters of water per day and exercise for 20 minutes three times a week. Money-rules are the same. It determines your attitude to living in a healthy relationship with money. Money rules are, however, easier than you think. These are the same rules we teach our children, but it is also the same rules you learned as a child. Make the following rules part of your life:

1. Just buy what you really need and not to impress.
2. If you are unsure whether to buy, rent or borrow first, and then decide if it is for you.
3. Avoid “retail therapy” by walking around the shops if you feel bored or bad. Rather go walk in the park or a conservation area. This will save you a lot of regret later.
4. Save money now so you can buy a bigger item later.

5. If you do not have money now, you cannot buy something – Do not make any debt!
6. Do not spend all your money now, you will need your money later.

Be **responsible** with your money. Remember, if you spend your money on something now, you forfeit the opportunity to buy a different item later. That is way you must **think** twice **before** you buy.

### **Section 3. Be- haviour**

To be financially fit, you have to exchange bad money habits for good money habits. These “good” habits include the following:

1. Get rid of consumer debt,
2. Spen your money according to a bigger financial plan – live according to a spending plan,
3. Get into the habit of saving for short, medium and long term goals,
4. Get into a finacial rhythm by making monthly and annual appointments with you financial affairs.

#### **1. Get rid of consumer debt**

One of the biggest things that hold us captive in the financial world of financial tension is debt. The only debt which is ok to have is debt that will bring you're an income. BUT even then you have to do your homework first and make sure you can service your debt. Get rid of consumer debt like shopping cards and credit cards. Get rid of the cards and if you have to have a credit card for internet purchases, keep it somewhere safe and do not carry it around in your wallet.

*The Scandanavian word for debt is the word "geld". Which you also find in the English translation for a fixed horse or "gelding". Debt then by definition in the Scandinavian language means to be castrated.*

If you get rid of your cards, you are taking the first step to getting rid of debt. It shows that you are serious about being financially fit. Now use the so-called snowball method to get rid of your debt.

You do this as follows:

Once you have destroyed your cards, keep paying your accounts as required. Take the card of bill where you pay the most interest and make a double payment in it. Once that has been paid off take the following account. Now pay what you paid on the previous account PLUS your normal payment on the second account – until the second account also have been paid off. Now pay what you paid on the previous two accounts PLUS your normal payment on the third account – until the third account also have been paid off. Do this until all your debt has been paid off...and DO NOT make more consumer debt.

What about my car and mortgage debt? Car and mortgage debt are both consumer debt. Rather save for a term (five years or so) for your car. Pay what you would have paid for an installment and put it into an investment. Also do not buy a brand new vehicle. The moment you drive away with your new car it loses 20% of its value. Furthermore, the house in which you live is not an investment unless you can rent out a part of it. Also try to pay off your homeloan faster by paying an additional 50% of your regular installment in middle of the month. You can almost halve the payment term in doing this.

Your tern: Write down below how you undertake to get rid of your debt. By writing it down you also make a promise to yourself

My debt management plan is ...

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## **2. Spen your money according to a bigger financial plan – live according to a spending plan**

A spending plan is also known as a budget. I like the words spending plan because it says you are in control of what you buy. You plan to spend your money in a certain way. However, no spending plan is perfect. Sometimes unforeseen things happen and your plan not longer works. Therefor accept that your plan is a process in progress. Document each month how much your actual expenses are and compare it with what you planned it to be. Adjust your plan each month to be as close to perfect as possible. Use the attached spreadsheet to help you. Adjust it according to your needs. Just a few important comments about your spending plan:

1. The savings componant of your plan must be first. In doing that you are “paying yourself” first.
2. If the income is less than the expenses, you will have to make some hard decisions; For example: Live without DSTV, sell your car and drive a cheaper vehicle, eat out less etc.
3. It’s hard to count every penny spent. It is easier to count situations. For example, you know what a tank of pertol will cost you. Try to work out how many times a month you fillup and keep it at that. Furthermore, people usually eat more of less the same at a restaurant or at a take away restaurant. You know it’s going to be more of less X or Y amount at a time. Work out how many times a month you and your family want/can eat out or have take away meals. Make your assesment below. When will you start doing this and how do you want to maintain it?

4. Sometimes your income or expenses are quarterly or per year. Work out an average to get your income or expenses per month.
5. If you are married, you and your spouse's income is there for the household. Then you must have a joint spending plan. Decide who pays for what and help each other out if it sometimes goes bad with one or the other.
6. If you have a business, let the business pay you a salary. Your business's income and expenses should be managed on its own.

### Spending Plan (Spreadsheat)

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### **3. Get into the habit of saving for short, medium and long term goals**

One of the big differences between rich people and poor people is that rich people are chronic investors and poor people are chronic spenders. Before you can be an investor, you have to learn to save first. From the spending plan you would already have noticed that one should first save and then spen the rest of the money for your lifestyle. People usually do the opposite. People usually spend first and if there is money left (which almost always is never) then they will save. But how do you save if you do not really have money? What one does not realize is that you often have more money than you think. The fact is that people also LIVE according to their INCOME.

The savingsplan works as follows: become an **automatic spender**. You can go to an investment house like Allan Gray, Investec etc. and open an unit trust account for all your savings needs (I do not recommend banks' money market or insurance companies as investment options). Devide your savings strategy into three parts:

**Long-term Savings:** This is your retirement savings. Open a retirement annuity. (if you are not already part of a pension or preservation fund at your company). Try to put at least 10% (or more) of your income into it. The reason for the retirement annuity is to get tax benefits. You can also use the new tax-free investments as a supplement to your retirement annuity.

**Medium-term Savings (2-7 years):** Examples are: the overseas vacation, a car, money for my child's university studies etc. Here you can use an endowment policy for tax benefits if your tax bracket is 30% plus. If not use a unit trust investment. Open an account for every need. Your car and your overseas plans must each have their own investment. The minimum amount invested is usually R 500 pm.

**Short-term Savings (less than a year):** People also call this their emergency funds. Here you also save in a unit trust account with a money market fund as underlying investment. This is for unforeseen and foreseen expenses such as something breaking, but also for the December vacation to cover expenses if the clients are few.

Your Turn: Write down below how you undertake to pay yourself first. Be very specific. Make a promise to yourself with a date when you will go and see someone to help you open your investments (you can do it yourself, but it's better to ask an expert to help you choose the right funds – you will pay a fee for this but it's worth it).

**My savings plan undertaking:**

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**4. Get into a financial rhythm by making monthly and annual appointments with you financial affairs.**

**Monthly Appointment:** Choose a day of the month where you make an appointment with your money. Remember, if you respect your money it will respect you too. Making time for your money is an important aspect of it. During this appointment – usually the last day of the month – pay your bills and see if you are still within your spending plan. Then file everything that you need to file for tax purposes..

My monthly money day is: \_\_\_\_\_

**Annual Appointment:** Go see your accountant or auditor annually and discuss with him/her tax-savings techniques.

My annual money day is: \_\_\_\_\_

#### **Section 4. Control – keep record of your financial fitness**

This part of the kit model is the key to staying financially fit forever. Nobody does everything 100% right all the time. Try to be only 60% right. It is more than half which means you're moving in the right direction. If you're doing 60% of the time right now, 60% will grow to 70% and then 80%. It is very important to be very gentle and very patient with yourself. If you have wondered off, bring yourself back to your planning. Work on your debt settlement plan, work out your spending plan and work on your automatic savings plan. Here are some simple control ideas for you:

1. Strictly keep to your monthly money day appointment. Do not make any other appointments.
2. Use your phone. Banks now send a sms for each payment or deduction. Use it to update your spending plan.
3. Get your buying habits under control. Only buy at the big supermarket once or twice a month. Then keep aside bread and milk money for the month. Just go shopping to buy bread and milk. If the food is finished before monthend...try to work creatively with what you have.

4. Place your spending plan up in your home. If someone from the household has bought something, let them write down the amount next to the item on the spending plan.

Use your annual money day to look at your other financial issues as well:

1. Is your will in order? Are the beneficiaries right? Who is the executor and what is his fee? Will your next of kin be able to get easy access to these documents if something happens to you? Do they know who to contact?
2. Is your risk cover correct? (Death, disability and critical illness) Often people are over-insured and under-saved. Do you have enough cover and are you not paying too much for it?
3. Are you on track with your retirement savings plan? Where is your money invested? Do you not pay too much for it? Do you know what your investment strategy is?

### **Section 5. Passion**

In this section, it is about earning an income that is in line with what James Hillan calls “your souls code”. You must regularly decide if what you do is what you should be doing. Use the four questions from Section 2 on life values to test your current career life.

Here they are again:

Do you feel that in your work you have:

1. Healthy challenges? \_\_\_\_\_
2. Healthy relationships with colleagues? \_\_\_\_\_
3. Meaningful contributions? \_\_\_\_\_
4. Joyful moments? \_\_\_\_\_

If you have answered NO on more than one answer above, you either have to search for a new job or start looking at your current job differently.

VERY IMPORTANT: At time, you will not be happy in your work, sometimes for long periods of time. Somebody once told me that he is having a hard time at his current work. His boss is unpleasant and the circumstances are difficult but that he is holding on because ... (listen carefully, NO not for the money) his work gives him the practical training to do his own thing in a few years time. . He tells me that every time his boss throws a tantrum, he laughs in the inside with the knowledge of: “My boss pays me for the training I need to do what I do now for myself and not for him.”

Find out what you love. You do not find this out of your imagination, you find this by doing it. Browse through some magazines – what are the pictures that speaks to you? Perhaps this is the direction you need to grow towards or perhaps it is the direction in which you need to search for a new profession.

If you're still unsure....you can pay someone to do career counseling with you to help you find your passion.

### **Last Words**

It is my wish for you that you will fly like the kite, higher and stronger every day to achieve total financial fitness – balanced by the four corners of A-analysis; A-ttitude; B-ehaviour; C-ontrol, BUT also ankered in P-assion, by doing what you love.

Best of luck and remember.....MONEY FOLLOWS LIFE.