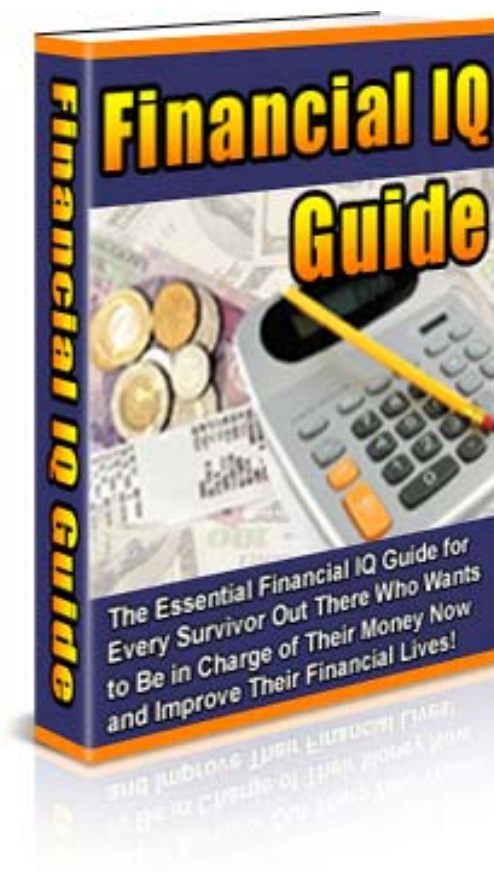


The Financial IQ Guide



The **Essential Financial IQ Guide** for *Every* Survivor Out There Who Wants to **Be in Charge of Their Money** Now and ***Improve*** Their Financial Lives!

The **Financial IQ** Guide

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Any perceived slights of specific people or organizations are unintentional.

This book is written in Arial and you are encouraged to print this book for reading convenience.

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The **Financial IQ** Guide

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Introduction

Hi,

Welcome and thank you for investing in this common cents guide to tapping into your subconscious financial genius to take immediate control of your finances, have your money working and live a happier life!

Whether you want to:

- Manage your funds for security reasons,
- Make a lot of money,
- Live secured and comfortably, or even
- Yank yourself free from your financial disasters!

Nonetheless, the information in this financial survivor guide is **more important** than ever. I mean, of course it is! Money is the subject here – so important because we use money everyday.

When you go to the nearest grocery, you need money. When you pay your bills, you need money. When you want to invest, you need money. When you earn your next income, there is your money to pay all of the above.

We humans are the only one using money in today's world – nope, not your “Tickle Me Elmo” doll, not your favorite plants, and certainly not your dog!

As you can see, money play major roles in our everyday lives so why not study it instead of ignore it?

Yes, what I am saying is indeed in its simplest statement, but it is this **financial ignorance** that is causing financial disasters everywhere, even too eminent to ignore!

What is Guide For?

Formal studies show that an approximate 95% of a country's population is not rich and in some poorer countries, even 98 – 99%.

No, the objective of this book is **not about**:

How to make a million dollars.

I know this sounds awkward, especially if you desire to pursue millions of dollars. Most books are already doing so well teaching others how to make millions but I am taking care of a HUGE loophole here: you need to build a mental preparation and foundation first-hand before reaching for your first million.

Besides, how can you possibly build a skyscraper on a weak foundation? Yet, this is what most people are trying to disprove of everyday – by trying to get rich on weak mental foundation which you will find within the coming pages of this book. (Now, aren't you glad you got this book?)

How to get rich quick.

Sorry, wrong book.

Hot investment tips.

While I will be covering some basic investment rules (ones that you probably do not know well) in this book, do not expect me to dispense the latest stock tips, or how and where to buy your first property. That is homework for you to do, and a subject of another book.

Financial planning (in text book language, that is).

I understand that not everyone understands the language of professionals, and there is a big chance that you do not. This financial survivor's guide is stripped of all those technical jargons and mind-boggling math.

That means, you do not need to have a financial calculator to decide your financial situation (fifth grade math would do, honestly) and of course, it is all in simple, fun, layman's terms.

In all, this guide to taking control of your personal finances and financial management is presented in its simplest, fun form that you can literally use and apply in the shortest time possible!

I also warn you, though, that it is also because of the over simplicity of the information in this guide that causes financial disasters and miserable lives everywhere, simply because most of us were too smart to overlook them.

The price to pay? **Our financial freedoms!**

The Financial IQ Guide

Having said that, the ultimate objective of this book is to help guide to first, be aware of your financial situations, goals and options. Secondly, this book is aimed at helping you go through your four levels of changes (described later in this book) in order to achieve your desired financial position and last but not least, have you set on the right track for taking action.

When all these are achieved, this book has done its job.

As you can see from the Table of Contents, this book is arranged neatly in three chronological parts. While each of them is already self-explanatory, you are still free to jump pages and read chapters that appeal to you or your current financial situation and goals.

Nonetheless, there is no more to my wish than to have you read this survivor's financial guide and apply them as soon as possible.

Be sure to grab a highlighter and a pen before getting started on reading this book, because I am very certain you will want to take your financial life as important as your academic studies.

All set? **Let's get started!**

What is Money?

My question: What is money?

Your answer:

I bet that was a hard question, though it is something you use everyday, right? If you would check the Pocket English Dictionary, money is defined as:

“Something usually or generally accepted as a means of payment.”

But that is not the definition you are looking for, if you want to take the most fundamental step towards taking control of your personal finances – by **understanding money** first.

Now frankly, I do not know what money is to you just yet. You might treat money as your friend – or you might think it is your enemy because it is evil.

Okay, I will switch the question for a while.

What is a 50 dollar bill to you?

Does it remind you of your monthly bills? Or does it equate to a collection of trading game cards you love to play? Perhaps it means you could buy a new toy for your children (if you have any, of course!).

Hey, maybe it is chance for you to go shopping! Or if you are serious about being in command of your money, 50 dollars can very well spell savings or investing to you. And if there are tasks that you cannot do such as fixing the burst pipe at the kitchen sink, 50 dollars can mean saving you pain by handing the dirty job to a professional plumber!

Whatever a 50 dollar bill or any amount of money is to you, it is easily summed up “**an idea, backed up by confidence.**” – easy to understand, crisp, and straight to the point.

This explains why some people value very highly of money, some invest it well, and others waste it, in spite of the fact you and I know that the dollar bills are just printed paper coming from the National Bank.

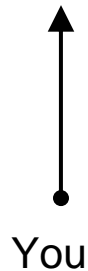
Printed by another guy or not, **money is power.**

How are YOU Making Your Money?

With so many perceptions on money itself, people are generally categorized into two models listed below, which demonstrates how one makes his money:

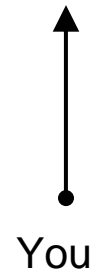
Model A

Money \propto Results



Model B

↑ Results \propto ↑ Money



High chances are that you are currently employed, or you have been employed at one point of time in life. Remember meeting people who are like **Model A**: money first, results later? You can usually hear them utter any or all of the following lines or the likes:

- *“Boss, you are giving me a lot of work. I insist you pay me more first, then.”*
- *“I have just come into this work place barely more than a week, and it seems that my boss is testing my patience by expecting me to deliver too much on performance. I will deliver them – only if he pays me more first.”*
- *“I deserve to be paid more for the amount of work I am doing.”*

I am very sure you have definitely met people like that! Now, let's take a look at people who fall into the Model B category where they place high importance on “proving their worth” first before the big pot of money.

Have you met anyone who is in the Model B category? They are often star employees, self-employers, professionals, and business people.

The bottom-line: There is an approximate 1.4 trillion US dollars circling around the globe everyday, looking to get into the hands of people they can trust. While

it is obvious that anyone would naturally want to have more money so that they can spend, invest or do anyhow they like, proving your credibility, worth and trust is of up-most importance.

Think about it: if you are going to have to pay someone to get a certain job or task done, you would certainly like to have the task-holder prove his worth and show results first-hand. Otherwise, why pay him more and later be in for a surprise when you finally get to see his actual results?

On the same token, why should you get paid **BIG** first if you have yet to prove your worth just yet, whether you are an employee, business person, or a professional?

The Financial IQ Quiz

Tick where applicable. This is your own personal Financial IQ quiz.

****Note:** This is **NOT** an exam test where you will be graded A through F! The aim of this Financial IQ Quiz is to first have you aware of your current financial position and later check if you truly desire to have that changed for the better.

Having said that, let's move on with your first Financial IQ quiz:

1. How are you expecting to make your money as of now?

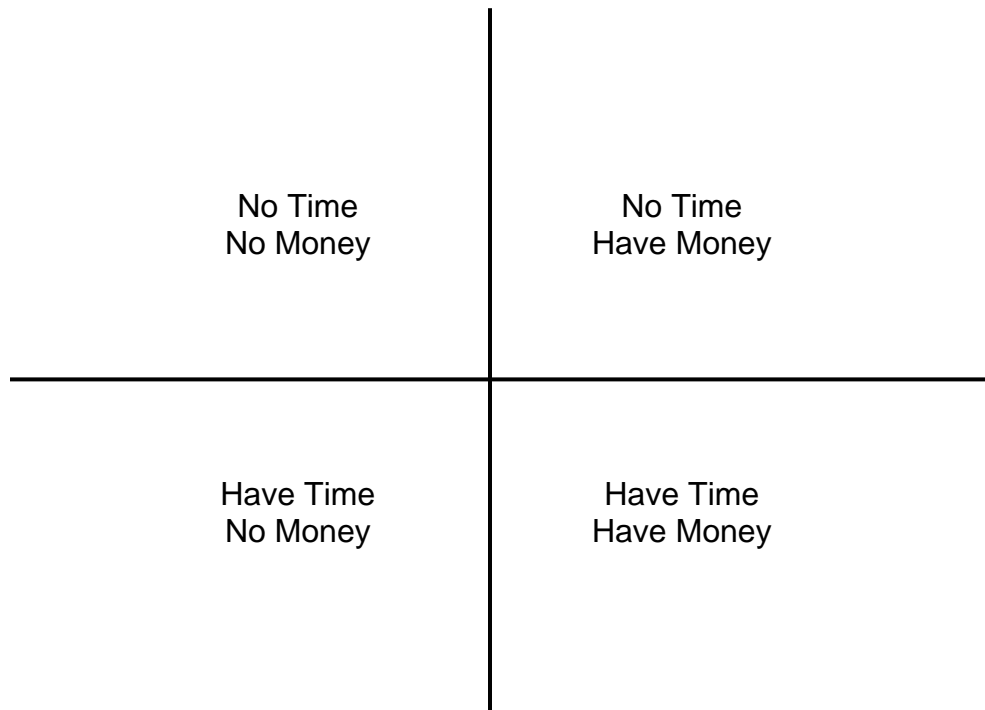
- Model A
- Model B

2. How do you want to make your money by tomorrow onwards?

- Model A
- Model B

What are Your Choices?

Here, I table to you 4 different kinds of people where time and money are concerned. Here goes:



No Time, No Money

Employees, the old and the retired usually do **not** have both **time and money**. Yes, it is probably the most dreadful state among the 4 states, but then, this is more eminent than ever. This explains why the morning rush hour and a come back of the second rush hour in the late evening for most people who work for others.

As for those who have had poor financial planning or made huge financial mistakes, the old and retired people do not only lose most or all of their wealth to their faults, but they do not have enough time to correct it.

Have Time, No Money

Do you where to look for people who have lots of time, but no money? This might sound nutty, but look no further than the unemployed, farmers, villagers, and people who hang out at your nearest coffee shop. Strangely enough, some of them are actually enjoying such a state in spite of the missing wealth.

Unemployed can be a desired state to some while being dreadful to others, however.

No Time, Have Money

While making a lot of money is ideal for almost everyone (I said “almost” is because I have personally met people who do not want to make a lot of money, seriously), and some have made it by being executives, self-employers, professionals, managers and top people in the corporate pyramid, more often than not, they have traded in their time for money.

Some people aptly call it the “rat race”. In exchange for the big bucks, they have somewhat traded in a portion of their life and time, which can be well spent with their family members or do the things they like passionately.

Have Time, Have Money

This is, without doubt, the ultimate goal for those who are hunting financial freedom (that’s you, alright!). This is the goal that most self-employers and professionals often miss and take a reluctant detour into the financial trap of trading their souls for money.

So, who in the world are having lots of time with lots of money? Who do you want to model after, if that is the case? Just to name some, business owners (big ones, of course), landlords and “work at home” entrepreneurs fall into this category.

You might be surprised to find that “work at home” entrepreneurs belong to here, but that is because more often, they use the Internet as the leverage (for Internet Marketers) or home business owners not only have flexible time to spend with their family members but also flexible income to cash in! Talk about having the best of both worlds!

A Word on Choices

In life, we have **MANY** choices. Unfortunately, most people choose **NOT TO CHOOSE** – and that itself, is a **choice**.

The Financial IQ Quiz

1. Which state are you in right now?
 - No money, no time.
 - No money, have time.
 - Have money, no time.
 - Have money, have time.

2. Which is the desired state you want to be in?
 - No money, no time.
 - No money, have time.
 - Have money, no time.
 - Have money, have time.

Holistic Development

If you want to **strongly** pursue your wealth, then I also **strongly** want you to be aware of your personal holistic (wholesome) development. Believe me, it is something that most people are not aware of when they are in pursuit of wealth, but that is their problem because they did not buy my book!

Anyway, your holistic development consists of:

<u>IQ</u>	<u>EQ</u>
Diploma Degree PhD M.B.A.	Attitude Discipline Dedication Diligence People Skill
Other developments include: <ul style="list-style-type: none">▪ Social▪ Spiritual▪ Family▪ Health	<u>F.IQ</u>
	Which you can learn from: Family Friends Working Life Experience Mentor

IQ (Intelligence Quotient)

Today, the popular dogma that passes around, without much questioning, is that in order to make more money and be successful in life, is to go to school and collect as many papers as possible to add to your collection of qualifications.

The reason? The better your qualification, the more pay you get in your job! But regardless of whether you have a degree or not, remember the two models of how people make money I have demonstrated to you earlier?

Also, according to informal survey I have taken from some bosses and employers, the top 3 qualities they often look in a potential staff are: (Not arranged in a chronological manner)

- 1) **Attitude**
- 2) **Years of Experience**
- 3) **Age**

Notice that qualifications and school academics did not make it to the list. While getting good schooling is equally important today, so are your other areas of holistic development, which I will describe to you later.

EQ (Emotional Quotient)

While most people today are stressing more on IQ in their pursuit of wealth or making more money, very few take equal importance in their EQ

Have you ever wondered how some of the most logical people you know can do such things even you perceive it to be silly, such as a fresh graduate with a PhD having a miserable love life and complaining about petty issues?

And how about awful stories where someone made a 5 to 6 figure income and later gave in to unnecessary spending? So much for putting logic in front of emotions!

Well, I often wonder that, too, because the papers you and I sit for in the exams hall only recognizes one kind of intelligence – IQ **Where managing or exploding your funds to another level is concerned, developing a better control over your emotions is just as important.**

FIQ (Financial Intelligence Quotient)

Want to manage your funds? Want to become wealthy? Then you **need** Financial IQ – and that is what this book is all about!

While more on Financial IQ will be revealed in the coming pages, it takes more than just information to be wealthy and take charge of your finances. It also takes action, and in this case, to take action on improving your financial situation for the better, you need to develop your EQ first! For without proper control over your emotions, you cannot possibly put your financial education into application.

That would be like saying, “I know that smoking is wrong, but I just cannot stop. I know it would hurt my health very badly but I just feel like smoking. Bah, whatever!”

And then, comes the **cancer** showing up in your financial statement!

Other Developments

While there are other personal developments in social, spiritual, family and health, they will not be covered in this book.

The Financial IQ Quiz

3. Which part of your personal development have you been stressing on?

- IQ.
- EQ.
- FIQ.
- Other personal developments.

4. Which other parts of your holistic development do you need to enforce more in order to take control of your financial life?

- IQ.
- EQ.
- FIQ.
- Other personal developments.

Wealth Defined

You have heard the word “wealth” over and over again especially ever since you took more interest in your own pocket rather than other people, but **what is wealth?**

Make no mistake. **Wealth does not equal to big income.**

Just because you earn 4, 5 and maybe 6 figure income does not entitle you to being wealthy.

Yes, there are people who make that kind of money and some times you can go to the place where they usually hang out – so sure that if I would pick and throw a stone at a crowd, I am sure to hit a person whose income is at least 5 figures or above.

Yet, in spite the big money they earn, most of them are no better off than they guys who make 4 figure incomes or less in a month. They have mortgages, car loans that stretch over 5 to 10 years long, credit card bills that seem never ending, and not to mention the expensive entertainments they subscribe to which I dare not imagine how much money have already flown out!

The result at the end of the month? The big money makers are almost as broke as the janitors.

These people have confused a large income with wealth – **and that made the difference!**

So, what is wealth?

Wealth is **the ability to survive many days forward without working.**

$$\text{Wealth} = \text{Money} / \text{Expenses}$$

Wealth is also your **net worth**. Income is the inflow while your expense is the outflow. You can build your wealth if you have a big inflow but it not necessarily the case (more on that later). However, if your outflow is equal or greater than the income, you can almost on your financial nightmare coming true.

How Can I Build My Wealth?

If you are so used to working for money, it is a small wonder why the idea of having money coming in without working is hard to absorb.

But then, this is how the truly wealthy people achieve their wealth – having money coming in without working.

If you would look back at the previous diagram on time and money, notice that the types of people who have both time and money at hand are business people, landlords and “work at home” entrepreneurs?

You will do well to consider your next level of entrepreneurship in either one of those careers if you desire to build you wealth and have money work for you.

The Financial IQ Quiz

1. Having explained the true definition of wealth, do you plan to achieve wealth or just the big bucks?
 True wealth.
 Just the big money.
2. Why did you choose that answer?

10 Reasons Why We Meet Financial Disasters

1) No financial education.

This is probably the number one reason why we mess up our financial lives – because no one taught how to manage it! Think about it: who teaches you how to manage your finances? The answer is a resounding “no one”. The conventional school we attend does not teach us, neither does business school nor our boss.

Since you and I know that more than 95% of the human population are not rich, either, our neighbors next door are probably just as blind as we are.

2) Leaving your options and choices to others (and often, the wrong people!).

Strangely enough, not many people are too concerned about their finances, thinking that others will take care of it for them. This explains why most of us “jump shelters” from our parents to our employers and maybe the government. We erroneously assume that a “responsible” boss or government would help take care of our finances.

Well, in your dreams! In truth, your personal finances are your own responsibility. How can people expect “other people” to take care of them when they do not even want to take care of themselves? Also, perhaps the best government can provide the guidance and opportunities but is still you to take care of your OWN finances.

3) Relying on lousy advisors.

And since many folks do not have the “know how” on managing their own finances, they turn in their own financial “steering wheel” to so-called “experts” such as financial planners, remisiers, and even... insurance salespeople!

While there are genuinely great people among these ranks when it comes to finances, most of them are NOT personal finance gurus.

4) Expensive “free” advice.

Lousy “free” advice can not only come from your own family members who have never “been there, done that”, but they can even come from professionals!

Be careful of people who kept saying “just my 2 cents worth”, because in many cases, their advices are more costly than that – and you are probably going to pay for it! As a school of thought, seek advice from people who have truly “been there, done that”.

5) Greed.

Like any other drug, greed empties our minds of our logic and this is the main reason some people are throwing in their life savings into the stock market or any “get rich quick schemes”.

6) Insufficient knowledge.

Investing simply without knowing what you are doing is financial suicide! That is like driving a car without knowing how and where to go!

7) Give no priority to personal finance management.

Even though many folks think that personal finance management is important, they are not treating it just as important, but too lightly in fact.

By the time they realize, it is often too late. They are either out of time or money or even both. Creepy!

8) No desire to learn and invest in financial education.

Another irony is that many others do not want to learn how to manage their finances because they are afraid of being labeled as “money-faced”. How misguided are these people!

Learning how to manage your own finances has never driven you to ignore other important aspects in life and never will! Instead, it makes you a more matured person.

You will quickly realize that mastering your finances means mastering a bigger portion of the rest of your life, because whether you like it or not, almost everything you do today are related to money in one way or another.

9) No clear or specified financial goals.

A wise man once said that if you are not planning to go anywhere, you are guaranteed to get there!

And that seems to be the case with many of us today. By the way, “making lots and lots of money” is not clear enough a goal. And more often, that is a fantasy rather than a realistic goal worth achieving.

And because most of us do not have proper financial goals, we just wander aimlessly and drift through life.

10) “Following the crowd” mentality.

Some call it the “herd” mentality, too. Having said that a large percentage of the population is not rich and that wealth is in the hands of the very few, you are probably not doing anything right more than 90% of the time especially when it comes to your finances and also especially if you are taking other people’s tip or advice.

A quick tip to get around this is to NOT do what the majority of the crowd is doing, or do exactly the opposite. For example, if everyone is buying stocks, you do not. Instead, you sell. And when everyone starts selling, you buy.

That would make you a contrarian at times, but why join everyone else in jumping down from a tall building when you can take a lift down to the ground floor?

However, in reality, everyone tends to follow the crowd and try to be “in”. We are, after all, social creatures, and we would like to know and be in what is the latest trend and be cool in our own ways.

Nothing wrong with being in the latest trend but believe me, when it comes to managing your finances – it is **never cool** to be broke, even though all of your friends are and they are making fun of you for not joining them.

The 4 Levels of Competence

There are four levels of competence to almost everything, and in this case, your financial genius into action.

1. **Unconscious incompetent**
2. **Conscious incompetent**
3. **Conscious competent**
4. **Unconscious competent**

Unconscious Incompetent

In everything and not just finances, people who are not only unconscious but also incompetent are usually not able to even help themselves. Not only do they not have the knowledge or what it takes to achieve something, they also often do have the desire to first learn, which I personally believe is the single-most important thing one must take in order to climb to the next level of competence...

Conscious Incompetent

This is where you are at right now. After reading the last few chapters in Part I, you are now aware of your financial position and therefore you can reevaluate your choice in deciding the flow of your money using common “cents”.

But just because you are now “pregnant” with the ideas and facts brought in by this guide, it has yet to make you competent – not just yet!

Andrew Carnegie, pioneer of steel in the early 1900s, said there is a distinction between “schooling” and “education”. He summed the definition of education as “to draw out your genius or applying information into practice”.

Note that Mr. Carnegie was a school drop out and before he entered the game of entrepreneurship, he was working as a laborer. Yet, he was able to tell the difference between “education” and “schooling”, these two terms often and freely misused by the modern school system itself.

Just because you have studied living skills and passed the exam paper does not necessarily mean you know how to fix cars any better than the mechanics at the work shop (who probably did bad at school) until you actually fixed your first car!

On the same token, just because you are now aware of your financial situation, it has yet to make you competent enough to take care of it without thorough practice and putting the fundamental information in this guide into practice towards improving your financial situation and later pursue wealth.

Conscious Competent

Once you start putting information into application, this will be your next level of personal and financial development. Not only are you conscious now, you are actually competent enough to take care of your financial problems for the first time!

But like riding your first bike, it would take some time until you can ride your bike without using any hands. That would lead you to being...

Unconscious Competent

You are so used to practicing good money and financial habits that you automatically know what is good or bad for your financial well being.

When an advertisement gets thrown into your face, you already know it is not good for your wallet – you do not need that product after all. When you make your next batch of money, you automatically set aside at least 10-20% of the income to invest. A financial seminar is around the corner – it beats conventional school anytime and it makes you richer, so why not go for it?

Bottom Line

My informal survey suggests that a good **80%** of the people fall under the first two categories in almost anything, finance included, while the other 20% are already competent.

It is obvious that having only the lessons or information is far from enough in making your financial nightmares gone and financial dreams come true. One word sums it all up well – **ACTION!**

Change and All 'C's Defined

The only constant in the universe is **change**. But, what does it take to change your financial situation around? Believe it or not, because all it takes are **17 'C's** to change!

The 17 'C's of change are:

1) Choice

Change starts with a choice. Do you want to change for the better? When you hear yourself saying thing such as "I hate living from hand to mouth" or "I dread having so little money at month's end", it is time for you to make a choice: whether to continue living that way or seek a better way out of this mess you have climbed into in the first place.

2) Courage

Changing takes courage, too. Some times, it is hard to change because we care too much about what other people might say about us. But then, is other people's opinion more important than being in command of your financial life?

3) Concentration

Change demands a lot of focus on your part. I know that it easier said than done for most of us because your firm standing is often put to the test throughout seeing financial changes on your income/expense statement.

4) Confidence

You cannot possibly do something you do not believe in, right? The best way to instill confidence and keeping yourself motivated throughout personal and financial changes is to subscribe to self-help newsletters, books and articles on a regular basis and if possible, befriend and learn from a mentor you can trust who is capable of guiding you. He can be your financial planner or in fact, millionaire!

5) Consistency

Like anything else, you cannot possibly get by your first financial hurdle by doing it only once. You have to regularly learn and reinvest in your financial education in one means or another.

6) Character

You either plan to change or have experience shape you. I know that experience is usually equated to time, which is true, but you can take control of your learning speed by first instilling a strong character in you.

7) Caring

By this, I do not necessarily refer to being affectionate. But it starts with caring about your own financial welfare. This sounds very *basic*, but when you look at the majority of the population's financial shape, you cannot say that they actually love themselves, too!

8) Comfort

In order to change, it often means living the "comfort zone". Yes, again, this is dreadful for most people who are probably in Slumber Land but as with standing near a burning fire, if you do not make your jump anytime soon, the heat would get at you.

Using the same analogy, if you do not make any radical changes towards improving your finances, the financial disaster usually would follow on later and worse than a burning fire, it comes without warning.

9) Communication

I am not exactly pointing out to communicating with other people but yourself (inner-talk). In order to change, you must first confess and admit to yourself. You do not have to tell anyone, but just tell the truth to yourself.

Have you been cheating a better life out of yourself? Are you giving your best to everyone else but you?

This should be one of the first steps you must take after making a choice where changing your financial situation for the better is concerned.

10) Creativity

I cannot stress enough how important a role creativity is in making your financial transitions. However way one puts it, without creativity, there would only reasons why one should not change for the better.

11)Chance

Making a personal and financial change also starts with first giving yourself a chance. Ironically, most people are the very ones who are taking the chance away from themselves.

Just so I demonstrate my point, do you recall any moment in your life where you have passed up a golden chance and if you have took it, you might have been better today? For example, if you have once passed up a scholarship offer, you are stealing a good academic education offer from yourself.

While what happened in the past cannot be changed, the next best time to do so is **NOW** – and it starts with saying to yourself, “You have got yourself a chance. Do it right!”

12)Culture

If you have been born into an affluent family with less family problems, less money problems, but you want to pursue wealth beyond what your parents can bring into the family – I would have to say it bluntly to you, “It is harder for you to be richer than a poor person!”

Huh? Why is that? In my personal opinion, this is the hardest ‘C’ of all ‘C’s. A wise man once said, “The enemy of great life is good life.” And I tend to agree with him, whoever he was.

I am sure you notice that most self-made rich people today were once upon a time poor or had very little possessions. But what about those who were already born into the affluent family? You have guessed it. They were born into a good family. They lived a good life – and probably died good, too. But they were never great!

Of course, I cannot say the same for all of them, but it is often up to a person’s culture to change. If you hardly ever had any problems to overcome before this and now you want to pursue your wealth, man, you still have a lot to learn! Talk about being born with a silver spoon!

13)Control

Next ‘C’ in the line – changing means taking control first! When your financial situation is out of control, only YOU can take control of it. Not your parents, not your spouse, not your boss, not your neighbor next door, and no, not your dog, either. After all, this is the most sensible thing to do so there should be debate on this, right?

14) Conviction

This is not going to be easy, either. However, it takes some guts to admit that you were previously wrong or foolish about not taking control of your finances.

After all, it opens doors to new possibilities so why not accept new ideas and ways on managing your funds rather than stick to what is not working and still claim it works? The definition of insanity is one who does the same thing over and over again yet expects different results!

15) Circumstances

Life for you was merry, perhaps... until things go upside down and take its turn for the worst. Very often, it takes a change in the financial circumstances for someone to make a mental shift in changing in his financial situation for the better.

For example, if you are on the brink of losing your one and only house, you are surely all prepared to stop that from happening – the kind of determination you did not have before.

16) Convenience

I have discussed about the “comfort zone” earlier, and here is another. I am not referring to the same “comfort zone”, but it is better convenience that makes people want to change for the better financially.

For example, earning a bigger income entitles you to spend more and maybe invest more as well. Thus, you are willing to sacrifice staying at the same “comfort zone” to work on something else more worthwhile.

17) Company

The last ‘C’ component that you need in order to change for a better financial life is to have a healthy company of friends. That can mean discarding old friends who push you down and making new friends with people who are willing to help pull you up.

Having highlighted to you the 17 ‘C’ ingredients of changing your financial situation, there is no more for guessing on how to change for the better – but just have them put into practice in real life!

Invest in Yourself

Now, we have finally come to the subject of investing (what is a financial guide without investing?).

I know that investing means several things to several people but there is one ultimate school of thought you should follow when it comes to investing.

Firstly, here is what it is **NOT**:

- ☒ It is **NOT** investing in the stock you have picked up from the latest hot tip.
- ☒ It is **NOT** investing in your business.
- ☒ It is **NOT** investing in real estate properties, either.

Having said that, the ultimate school of thought you should religiously follow in investing is:

Invest in Yourself!

Yep, that is yourself, alright. When you achieve your financial goals, you have your wisdom to congratulate and when financial disasters occur, you have only yourself to blame and not your investments.

Why is that? That is because ultimately, we are either the *asset or liability* of our success. Strangely enough, when something goes wrong, most of us would blame the book we read or the stocks that made us broke. That is like blaming the gun you use that backfires at you because you use it wrongly!

If you are a budding entrepreneur of some kind, investing in yourself is more important than ever.

You are probably starting with little money, like most self-made millionaires and big time entrepreneurs out there who were once in your financial position. Thus convincing other potential partners and business associates to join forces with you is one quick jump start towards getting a grip on your entrepreneurship career, regardless of what kind.

What savvy businesspeople often look for in you, though, is not really the money you have or the “brilliant” ideas you may have for that matter. What they are always looking for, consciously or unconsciously, is whether you take any special interest in investing in yourself.

It is that simple – why should other people invest in you if you do not invest in yourself?

What to Invest in Yourself – Education!

You are probably wondering why education is included as a form of investment. The answer is simple: an education will enable you to earn more money. By this, I do not necessarily refer to your college degrees.

Going to seminars and purchasing books to gain timely information are yet other forms of investing in yourself.

After all, an investment is something that will make money for you. And education is one you can almost bet on for a sure-fire investment!

As this part draws to an end and we enter Part III of this guide, here are...

5 Important Things You Need to Know about Managing Your Cash Flow

- 1. How much you earn is important, but cash flow is more important!**
Remember that it is not a matter of how much money you make, but it is how much money you get to keep.
- 2. Write your own budget down often.**
- 3. Practice, practice, practice.**
- 4. Set your goals.**
- 5. Practice delayed gratification!** Work first and enjoy the rest later!

The Importance of Leverage

Now that you have realized how important managing your finances is and know what it takes to change for the better, financially and personally, you will need a form of leverage to get to a higher financial level.

By this, I mean that you need to do **more and more with less and less**. In the financial sense, you need leverages that make you more money in return without exerting any or too much effort on your part.

Here are just some of the common financial leverages you can use in order to achieve your financial goals, may it be for security reasons or a strong desire for comfort and luxury:

1) Savings.

Savings is a form of financial leverage, because there is some magic to be found in “compound interest”. Compound interest is earning interest on the total of an original principal sum and interest already earned. Obviously, one great thing to tell you here about compound interest that all the money requires no extra and work on your part. Once it has been deposited into your bank account, your money is the investment play field – where money works for you to make more money!

But remember that compound interest can only work its magic if you give it time. So, start saving now, if you have not started yet!

****Note:** I know that in some money-making books, you are recommended that saving is a lousy way to get rich. While that is true, and there are better and sophisticated financial leverages out there, your finance management starts with saving, whether you are aiming for security reasons or pursuing millions. More on savings will be covered later on this guide.

2) Insurance.

No, insurance is **NOT** a money-making vehicle, and you might find it strange that I consider this as a financial leverage. But think about it: if you (the bread winner especially) die today or you have lost a VERY BIG money-making asset to a natural disaster, theft whatsoever, you will be begging your insurance policy to help insure the losses!

In a nutshell, insurance help transfers the financial risk from one party to another. We trade a small loss to avoid catastrophic ones! Some perceive this as a sort of bet between the insurer and insured on a loss or death, but this could not be further from the truth.

Insurance can be divided into two general categories: **life insurance** and **general insurance**.

Life insurance is defined as a contract which pays an agreed sum of money on the happening of an event, dependent on human life. General insurance, on the other hand, covers individuals and third parties against risks of damages or loss on events on based on human life. They may protect an individual, property or business.

For more information on insurance, you will do well to consult your personal financial planner.

3) Business.

The returns from a business can be phenomenal. This is strongly recommended for you if you want to join the ranks of the rich. If you dream of making big bucks, then you have to be in business.

It does not matter what KIND of business, but as long as you are in business, you can join the ranks of the rich. What matters, though, is how you perform in business.

4) Real Estate.

Now, here is yet another proven, time-tested leverage that the rich use since ages ago to become very rich. Leveraging finances using real estates date way back to the times of royals and dukes.

It makes “cents” anyway, because you are probably living in a leverage yourself, you can use it in your favor to help leverage your financial position.

A word on leverage: while there are several leverages to be used in order to elevate financially, you should treat leverages two-ways. Leverage can be great if used correctly. On the other hand, leverage can also be used against you if you misuse or abuse it. Simply put, treat leverage as a double-edged sword!

Net Worth

This guide would never be complete without a subject on your **net worth** and **cash flow** – and they ARE absolutely essential to your personal finance management!

Your Net Worth

Too many people immediately make plans for the future, but how many of them first evaluate their current financial situation? Too few!

Like any other things financial, you must first assess your present financial situation. Are you on financial red line? Or are you financially healthy? Like your school report card indicates which subjects you are good or bad at, studying your financial shape by calculating your net worth IS your financial report card.

A net worth is a balance sheet of your financial situation at one point in time, may it be current or past. Again, like your school report card, it tells you how financially well you are doing, what and how much assets and liabilities you have, and how much you are worth, financially.

By assessing your net worth, you will quickly learn your ability to accomplish a certain financial goal – whether you are looking forward to retirement or becoming wealthy.

How to Calculate Your Net Worth

If you are not an accountant by training or accounts have never fascinated you, this may be your first time calculating your net worth. It was probably boring to you when you were in school, but believe me, it gets very interesting when you put in the dollar signs – because this is real life, and it is all about YOU and not some kind of mock case studies.

If you know you have been a financial baddy, you might feel a knot tightening up in your stomach because you need to confront your past finance. But trust me on this – if you can get over this first, you have only the next step to change your financial life.

Here goes:

1. Calculate your assets.

See the table below and fill in the blanks. Also, see some of my personal insights on any items found in the table.

Assets	Value (\$)
Liquid cash	
Savings	
Current Account	
Shares	
Unit Trusts	
Bonds	
Mutual Funds	
House *	
Business	
Properties	
Total Value	

* Most people tend to overestimate the value of their own house, and you probably do that, too. So, whatever amount you are putting in to calculate the value of your house, reduce it by 10 to 20%.

Notice that your assets do not include those such as cars, golf clubs, computers, and more. This is because they **DO NOT** generate any income for you. They are static items, indeed, and thus are not considered “assets”.

2. Calculate your liabilities.

Next, calculate your liabilities by filling up the table below.

Liabilities	Value (\$)
Personal debt	
Outstanding mortgages	
Outstanding car loans	
Credit Card debt	
Education loan	
Others	
Total Value	

I know that this is probably the least fun part of this financial assessment exercise, but hey, didn't you buy this guide to change all that around?

3. Calculate your liabilities.

And... ta-da!

$$\text{Total Assets} - \text{Total Liabilities} = \text{Your Net Worth}$$

Now, the truth is out in **black and white**. If your net worth is close to zero or worse, negative, then you have got a serious financial cancer. You are either spending too much money or accumulating too many doodads.

But if your financial net worth is positive and the numbers look beautiful, you know you have had done something right!

In a nutshell, by comparing and evaluating your financial net worth from time to time, you can now track your financial progress – finally!

(I told you fifth grade math would do, right?)

Cash Flow

While the net worth statement is a great way of assessing your financial well being, it captures only a frame of your financial position at one time.

Unlike your net worth statement, the cash flow statement tracks your income/expense on a regular basis. That is like comparing the features of a picture camera and video camera.

And because you are recording all your transactions, coming in or going out, this makes your cash flow statement dynamic, allowing you to review your financial route from time to time.

Your Cash Flow Excel Work Sheet Pro

Now, please see the bonus copy of your **Cash Flow Excel Work Sheet Pro** that comes together with your purchase of this guide. You will need Microsoft Excel to open this file.

This is a cash flow statement, similar to what I am using to keep record of my own income/expense on both daily and monthly basis. The cash flow work sheet is made to track your money's flow in the right sequence.

Notice that the figures are already set to 0.00 (already assuming they are all with "\$" sign added in front).

Using this statement will be **extremely easy**. Since the coordinates of the work sheet is already programmed for you, you just need to record your own figures on a daily basis until they add up automatically at the end of the month.

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Daily Cash Flow Statement
For The Month of _____

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
INCOME																
Salary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Commissions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rentals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Divid.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Misc.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EXPENSES																
Food & Drink	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Medical	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Home	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Clothing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transport	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Books	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Magazines/Newsletters	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Home Accessories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Savings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Vehicle Accessories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Petrol	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subsidiary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Semi-Inst. Courses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Travel/College	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Electric	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Water	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Phone/Head phone	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Mail	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Entertainment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Credit Card	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Upon opening this file, there are two sheets, named “Daily” and “Monthly”. Review the “Daily” sheet first. This is required of you to update daily.

Warning! On the “Daily” sheet, do **not** edit any columns in the rows highlighted in **yellow**.

Starting from the top, fill in the current month. There are two pages in the “Daily” sheet and the columns start from 1 to 31. These numbers assume the dates of the month. Of course, there can only be a maximum of 31 days in a month so you have all 31 columns to fill up.

First, let us review the Income statement. Note down all the money that you make everyday, if there are any. For example, if you receive your paycheck from your employer on the 28th of the month, write 2000 (or whatever the income is) in the Salary column under the 28th day. If you are a salesperson, your income falls under commissions and if you are a landlord, your income is in the rental column.

When you enter the figure, notice that the total will change immediately to calculate the total income you have made on that day itself.

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Secondly, let us review the Expense statement. Again, record whatever expenses you make everyday and put them in the right categories. For instance, if you have paid your phone bills, jolt down 100 (or whatever the amount is) under the phone/hand phone column. Ate pizza? There is your \$40 in the Food & Drink column.

Monthly Cash Flow Statement
For The Month of _____

INCOME		EXPENSES	
	Amount		Amount
Salary	0.00	Food & Drink	0.00
Comm. Incls	0.00	Medical	0.00
Interest	0.00	Home	0.00
Dividends	0.00	Clothing	0.00
Rental	0.00	Transport	0.00
Misc.	0.00	Books	0.00
TOTAL	0.00	Magazine/News paper	0.00
		Home Acc. Items	0.00
		Salary	0.00
		Insurance	0.00
		Loans	0.00
		Other Accessories	0.00
		Petrol	0.00
		Stationery	0.00
		Sem. Instr. Courses	0.00
		Tuition/College	0.00
		Electric	0.00
		Water	0.00
		Phone/Hand phone	0.00
		Misc.	0.00
		Entertainment	0.00
		Credit Card	0.00
		Misc. Income	0.00
		TOTAL	0.00

Cash Flow = Total Income - Total Expenses
= \$0.00

Once you have recorded everything until the end of the month, see your second work sheet, namely the “Monthly” sheet.

There is nothing for you to edit or keep record of here, because as I have mentioned earlier, the calculations are all automated. What you have been recording for the last month is all summed up here in this page.

If you have been spending \$300.00 on food for the whole month, for example, it will show up here as \$300.00 in the Food & Drink column.

Notice that your income and expenses are now totaled up. And when you see your cash flow, it is:

$$\text{Cash Flow} = \text{Total Income} - \text{Total Expenses}$$

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That is all to it. If your cash flow is zero, too little, or negative, again you are just getting ready for certain financial disaster.

But then, if your cash flow is positive and in good shape, you are good to go!

Quick Start Action Tips

As this guide draws to an end, I would like to share with you some quick tips that you can start practicing immediately.

No, it would not make you a runaway millionaire tomorrow, but I assure you that the sooner you take control of your personal finance, the sooner you will live a happier life free of financial worries.

Start Saving!

First thing's first – **start saving!** Your first step to managing your finances, to your surprise, perhaps, is **not** making more money. After all, making more money takes time to learn.

But you can start saving NOW. It is a no-brainer, really. If you have \$100, just save \$20 and you can spend the rest. It is that simple!

All in all, saving is **very basic**. But I know that giving this advice to anyone is almost as effective as saying “smoking is not good for your health”. Right...! And the result? The advice goes into one ear and out of the other – most people spend all their income and later “enjoy” horrible financial disasters.

It is a small wonder why making more money does not necessarily equate to managing one's finance better, but in fact, makes financial management more out of control because more money means more spending and more spending means more debt!

But saving a portion of your income is not really the entire picture, either. Not just yet, because you need to know how to...

Budget Your Income

Played soccer? Can you imagine a soccer team going all out for offense and neglecting their defense line? Can you also imagine what happens when not only the strikers fail to score a goal, but the ball ends up in the other half of the field – the other half with no defenders around to defend their own goal post?

Unfortunately, this seems to be the case with most people, again. All out making more money – doing the offenses! But when their plans fail and backfired, there is no safety net for them to fall onto.

As mentioned earlier, practice a good saving habit, regardless of how much or how little money you are making. And to have that accomplished, you need to budget your income.

I know that big time money-makers look down on this finance management method as “too safe” or “for dummies only”, but I also know very well that in spite of the huge incomes they make, most of them are almost as broke as the janitors, too!

The true definition of budgeting, therefore, is “**the art of spending money wisely**”.

This is why I strongly urge you to make it a ritual to record and keep track of your income/expense on a daily basis using the Daily/Monthly Cash Flow statement. That way, you know and can control how much money comes in and goes out. Quite simply, you now can decide how to spend your money and invest wisely.

A big percentage of us often wonder where our money goes – but not you with this cash flow statement in your hands!

Invest in Your Financial Education

We have already established that most of us neglect our financial education and conventional schools hardly teach about money, you have to invest in your financial education.

How? I will start with the good news first: investing in your financial education is nowhere near as costly as entering college. In fact, a finance seminar can range from only a few dollars to a thousand dollars. Not to mention, they are often nowhere even near half as boring as lectures!

Do you think that a thousand-dollar 3-day seminar is expensive? Consider the following scenarios:

- You pay \$20,000.00 to enter college for 4 years. After 4 years (and that is also assuming you pass your papers with flying colors), you start to look for a job. Since you are a fresh graduate, your starting income is probably less than expected (all the time). Even if you re-enter college as an adult, there is often 10-20% increase in your periodical income for the knowledge and expertise you apply. But then, it would take you a couple of years as well.

- You invest \$1,000.00 in attending a seminar on finance that runs for 3 days. After 3 days, you already know what you need to know and you can apply the information instantly. Since most financial seminars are results-driven and motivational, taking action is often the next thing you would do. Armed with information not found in conventional schools on finance, your profit margin and finance management will soar and in extreme cases, it can be an infinite percentage!

Now, in your opinion, which one do you think is more costly? Personally, I think trading \$20,000.00 and 4 years of your youth for a low increase in your income or meager pay is **very, very, very expensive**.

Tip: You can find out when is the next and nearest financial seminar if you read the daily papers often. Believe me – some financial seminars are truly life changing! But if you strictly cannot afford to attend an expensive seminar, there is always a more affordable alternative – make an effort to read one or two books on finances by ordering them from your nearest book store.

Find a Mentor or Competent Advisor

Remember what I have said about how expensive “free” advice can be? If you are surrounded by “false prophets” and lousy advisors, say what Donald Trump says to them: **“YOU’RE FIRED!”**

And what next? Start choosing the right people and mix with them. Remember that choosing the right people is a skill you must have (very important!). People can either be assets or liabilities to managing your finances.

I am not saying that you should ask them to manage your finances for you. However, it is equally important that you surround yourself with people who know what they are talking about when it comes to money, a subject so important because you make and spend it everyday.

And here is another hot tip for you: it has never been easier to become wealthy or financially secured today. With so many tycoons and millionaires being made everyday as well, you will do well to go under the wings of a trusted mentor who is already doing what you want to do.

Trust me, some are already so successful that very often, they are willing to help budding people like you – just treat them to a meal and show them how serious you are.

Last But Not Least...

You are now equipped with the essential Financial education you need to know and get started right now.

It is my genuine hope that this general Financial IQ guide will help straighten out your personal finance management, as it has for me.

Having said that, what is really left to do is to **take action** – starting with making a ritual to record your cash flow statement every day and assessing your current financial position.

Next, set your financial goals and specify it clearly. Remember to do all of the above quick start action tips and the sooner you begin, the sooner you can enjoy a better, happier, financial life!

To Your Financial Success!

[Insert Your Name Here]