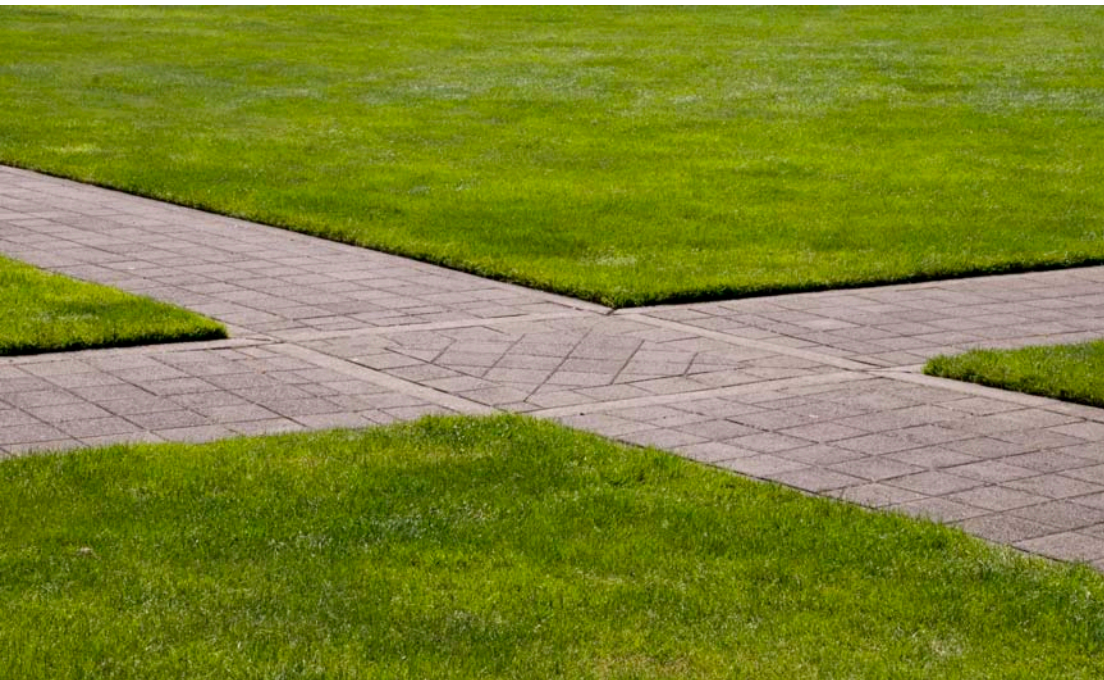


the Financial Crossroads

The Intersection of MONEY and LIFE



From the international best-selling author of
The Ultimate Gift

Jim Stovall

& Timothy J. Maurer, CFP®

Chapter One: The Power of Money

If money be not thy servant, it will be thy master. The covetous man cannot so properly be said to possess wealth, as that may be said to possess him.

Francis Bacon

Money is a terrible master but an excellent servant.

P.T. Barnum

Money is the most misunderstood commodity in our society, even on our planet. People today understand the price of everything and the value of nothing. There have been more conflicts, divorces, and disputes over money than anything else. In order to begin to have healthy attitudes toward money, we must understand that it is nothing more—or less—than a neutral tool or vehicle.

It is also critical to understand that money is not inherently bad, unimportant or irrelevant. Many have misquoted and misused ancient wisdom proclaiming that "...money is the root of all evil." The context here is imperative. "For the love of money is the root of all evil," is the actual quote, and the difference is profound. Nothing can take the place of money in the things that money does, but outside of the scope where money is useful, it has no value.

When it comes to your health, family relationships, or personal well-being, for example, money is of little importance. It serves us best when it is a facilitator of relationships, not an end in and of itself. This understanding will keep money and its detrimental pursuit in check. Once you see money with new eyes, you'll use it better and more effectively.

Timeless Truth

There are only four things you can do with your money: Acquire stuff, buy security, create memories, and make the world a better place. There is no right or wrong place to put your money regarding these four areas. As in most life decisions, balance is the key.

Acquiring "stuff" has become our national pastime and obsession. Most people spend more time working than necessary so they can acquire stuff that they don't have time to use because they spend so much time working to get it.

Security is an admirable pursuit. But if you're not careful, you will fall into the group of people who spend their whole lives preparing for a rainy day, and it never so much as sprinkles.

Creating memories is a vital component in a fulfilled life. Those memories can never be taken from you, but if all you do is pursue memories, you will spend your entire life looking in the rear view mirror. It's nice to look back there every once in a while, but if you drive through life very long looking only in the rear view mirror, you are bound to get a rude awakening.

And, finally, money—like any other tool—can be used for good or for bad, but it can, indeed, help to make the world a better place when it is put in the hands of the right people. We must be cautious here as well, because among those sincere souls who seek your money for admirable pursuits, there are many who—under the guise of good works—are prepared to rip you off.

Apply the following litmus test for proper money usage: Money used wisely enhances relationships; money used poorly is a relational stumbling block.

How would your life be different if money were no object? This is a difficult question to consider, because we seldom make any decisions that are not based upon money. This is a poor way to look at the world. Decide what is good or right or meaningful, and then worry about the money.

Jim Stovall

You may be interested to know there has never been a money shortage. There is, however, from time-to-time a creativity, service or value shortage. Money is nothing more or less than a result of creating value in the lives of other people. If you stop worrying about money and concern yourself instead with creating value in the lives of those around you, you will have more money than you need.

What is the actual, literal value of the dollars in our pockets? Nothing. There was a time when that was not the case. The Bretton Woods Agreement, forged after World War

II, pegged the value of a U.S. Dollar to 888.671 milligrams of gold. Other currencies were then pegged to the dollar, and the U.S. pledged to convert dollars to gold, but the U.S. went off of the gold standard in 1971 never to return. Now, as Dick Wagner puts it, "we have traded money of intrinsic value for perceived value."ⁱ While some claim that perception is reality, perceived money is simply more easily manipulated, for better and for worse. Prior to our current recession, the value of a U.S. dollar steadily declined relative to other world currencies. The U.S. dollar, however, is still the currency used to conduct business around the world, so as the recession deepened, the inherent need for dollars to transact business around the world helped the dollar increase in value again.

The primary method used by the U.S. government to combat our current recession is "printing money"—making cash more easily available to financial institutions in the hope that they make it accessible to the consuming populace in the hope that they spend it. (HMMMMM... Sounds eerily similar to the problem that put us here in the first place, doesn't it?) The drastic increase in money supply is an attempt to avoid the deflationary downward spiral that occurred in the Great Depression. It will inevitably, however, play a role in a further devaluation of the U.S. dollar when we emerge from the "Great Recession." The increased supply of dollars will result in a lower value for each dollar.

Therefore, money has no value other than that which we attribute to it. Academically, this makes sense, but why does it actually matter how we view money? Isn't it only splitting hairs over semantics? How then does the once almighty dollar have such a hold on us in our daily lives? Over 50% of first marriages end in divorce. The majority of those suggest financial disputes as the primary impetus for the break-up, and not one of us can attest to money not playing a primary role in some relational disruption with family or friends. We must then be *giving* money power over us.

How do we give money power, and how do we recognize when we're doing it? Let's first examine the symptoms. My wife and I were on one of our first dates many years ago at a restaurant in the northern suburbs of Baltimore. While enjoying the romantic, candlelit environment, I displayed my chivalry by inviting Andrea to be the first to give our server her order. She ordered the crab cake; I don't

remember what I ordered. The reason I'll never forget her crab cake is because, as the waiter walked away, I scoffed at Andrea's foolishness to ever order a menu item at the rate of "Market Price"—like the crab cake—without first asking what the market price is! I thought I was doling out financial wisdom, but Andrea heard that I thought money was more important than she. Romantic, huh? After what happened there, I'm lucky to be married! What was my money belief that brought about that embarrassing snafu?

Rick Kahler and Ted Klontz, a financial planner/psychologist duo, collaborated on the topic of personal finance culminating in the must read, *The Financial Wisdom of Ebenezer Scrooge*. Note their explanation on how our beliefs about money and our actions surrounding it are likely to correspond.

Very early in life, people begin to internalize messages about money's purpose...how it works, what it promises, its overall significance....[T]hey translate what they see and hear into unconscious rules about life, including any internalized messages about money....[E]very financial behavior, no matter how seemingly illogical, makes perfect sense when we understand the underlying beliefs.

In my first date example, it was not that I actually believed that money was more important than my wife, but that is certainly the message she received. And sadly, I think she's received that painful message many times since then even though I've never intended to send it. What then could help us better understand our own beliefs about money and how they were formed?

**Timely Application:
Personal Money Story**

Write your own "Personal Money Story." Sit down with a piece of paper and write the earliest memory you have of money and your best guess of your age. For many, it will involve some combination of a piggy bank and an allowance or birthday gift somewhere between ages 3 and 6. Then rate this experience numerically between +10 for a great experience and -10 for a scarring memory. Continue this pattern, marking all of the notable experiences you had with money—good and bad—throughout the course of your life. Then, with the +10/-10 continuum on the vertical axis and the timeline on the horizontal, plot out a visual picture of your history with money.

If you're single, consider journaling on your experiences and/or sharing your conclusions, and any resolutions you make as a result, with a close friend or family member. If you're married or heading in that direction, conduct this exercise individually and then share it with your loved one. You may have a "light bulb moment" that changes the course of your life, but at the very least, you and the people that love you will better understand your background with money.

With that greater level of understanding, my wife will be less likely to see me as a greedy monster when she shares passionately about an improvement that she envisions for our home and I respond, "How much?" Conversely, I'll be less likely to utter those words at that moment in the first place!

Visit www.thefinancialcrossroads.com to find a template to use in creating your own Personal Money Story.

Tim Maurer

What you believe about money will determine what you will do for and with it. Right thinking leads to right actions, but those outward actions do not spring from nowhere. In his 1902 work entitled *As a Man Thinketh*, James Allen said, paraphrasing Proverbs 23, "Every action and feeling is preceded by a thought." Ralph Waldo Emerson postured, "The ancestor of every action is a thought." This isn't esoteric philosophy without application; it is practical advice that leads us to a better understanding of our interaction with money, and thereby, a better life.

The name of the weekly radio show that I co-host is "Money, Riches and Wealth." It's not what you think. Actually, the host of the show, Drew Tignanelli, derived the name from a study that he did on the origination of those three words, and his findings are powerful. "Money" means something very close to what we believe it to mean today—currency. "Riches" in its original context implies what you'd expect—money, with an extra helping of extravagance and a pinch of greed. "Wealth," however, has a far different meaning than that which is attributed to it today. The closest meaning to a modern word would be *contentment*. And isn't that what we desire when we're at our best? Contentment may be accompanied by money and even riches, but there are plenty of rich people who aren't wealthy by this definition. Contentment is attainable for any of us at any moment.

Money has no power other than that which we give it. It's hard to find contentment in a financial world that is filled with jargon, marketing and economic bias. Let us provide the wisdom and knowledge that you need in order to have a better understanding of things financial so that you can be *truly* wealthy.

ⁱ Richard B. Wagner, JD, CFP® is the principal of WorthLiving LLC, based in Denver. The quote is from an article of Dick's entitled *SURVEY STAKES How they enable financial planning as we know it*. If you're interested in more of a discussion into how money is actually created, take a look at a very interesting series of videos entitled *Money As Debt* available on youtube.com using this link: <http://www.youtube.com/watch?v=vVkFb26u9g8>



Personal Money Story

Age	Description	Score
5	Birthday money received from relatives	10
5	Had to put the birthday money in bank	-5
9	Used money saved to buy bike	10
13	Spent \$100 on game gear	5
15	Received money for services provided (pet sitting)	5
16	Opened own bank account	10
16	Crashed car had to pay \$500	-10
18	Crashed car again had to pay deductible	-7
19	Paid mom back for air fare to/from spring break (\$810)	-10
21	Bought car 0% interest \$16k	10
21	Got part time job	10
22	Lost job	-10
22	Got married (no job)	0
23	Got small jobs	5
25	Got job with government contractor	10
27	Got job with US Government	10

