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Face the Facts

Financial freedom is the result of strong and healthy financial habits. The secret to fiscal fitness, according to Bert Whitehead, the author of "Facing Financial Dysfunction" is overcoming the obstacles that block people from achieving their financial goals.

The Author of
"Facing Financial
Dysfunction" Turns
Investing on Its Head



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Contrary to popular belief, author Bert Whitehead contends that financial prosperity is not the result of knowing the markets or securing the right investments; financial freedom is often the result of healthy beliefs and behaviors about money. Whitehead asserts that the reason that most people fail to reach financial freedom is because their goals are hampered by their financial dysfunctions, which surface in behaviors that limit their ability to successfully earn, grow and manage their money. By addressing and overcoming these dysfunctions, individuals can level the playing field and move forward on the road to financial prosperity.

Shift the Paradigm

Before you can begin to establish better financial habits, you'll first need to shift your perception of the factors that control your financial life. Many people believe that their financial lives are dictated by exogenous factors based outside of their own lives — the stock market, the real estate market or interest rates. Exogenous views can be particularly detrimental to reaching financial freedom as they tend to imply that little to nothing that can be done to proactively control your financial destiny.

The path to reaching financial freedom will be much smoother for those who employ an endogenous view that recognizes that factors originating from within their own lives, such as marriage, children, occupation and disability, have by far the greatest impact on an individual's financial life. By recognizing the impact of these endogenous factors, you can better prepare for their impact with appropriate financial adjustments. An endogenous view empowers individuals with the understanding and necessity of protecting yourself against life's unexpected emergencies. It's what enables you to stay prepared, and hold onto and grow wealth, even when difficulties arise.

Whitehead contends that most people could avoid the most common financial dysfunctions if they simply knew how to do it. In other words, financial dysfunction is not inevitable. It's avoidable for those who learn how to engage in healthier behavior. Shifting your paradigm from an exogenous and endogenous view is a critical step in the process of moving from financial dysfunction to financial health.

It's very important to keep exogenous information in its proper place. Be cautious in accepting financial "advice." The financial services industry is filled with people who are less concerned with their clients' financial well being than they are with achieving their own sales goals. They tout sales pitches as "advice" and in the process, convince much of the unwitting public that their financial security is out of their control.

Take Control

Asset allocation is one of the best ways you can gain control over the way that market volatility impacts your portfolio. Optimal asset allocation takes into account your stage in life as well as the level of risk exposure appropriate for your age, goals and current financial standing. Timing the market never works because it is outwardly focused. Instead, focus on your current situation and goals. Rather than starting out by seeking the highest rate of return, first focus on assessing your appropriate risk levels to determine the type of return that is reasonable for a balanced portfolio.

The investment progress is a journey. The investment vehicles you choose will determine the speed, comfort and safety that you experience along the way. The ease of the investing journey is determined by asset allocation. The problem is, most investment solutions promoted by the financial community were not designed for regular people. They're based on models involving huge pension funds and massive institutional accounts, and are totally inadequate for individual investors, particularly middle income individual investors. In addition to including asset categories such as foreign bonds and precious metals, which are irrelevant to most people, most common asset allocation models also ignore personal residences — which are often the largest investment an individual makes in his or her lifetime — as apart of the investment portfolio. These asset allocation models also tend to disregard individual income taxes and functionality. They don't account for real-life issues like the need for short term liquidity and protecting against factors such as inflation and deflation. Most tragically, they don't account for the flexibility needed by individuals whose investment horizons are impacted by factors like death, disability and divorce.

Asset allocation is a powerful tool in adding control to your financial life, but in order for you to benefit the most, you'll have to allocate assets based on your own individual situation, not some one-size-fits-all template. Work with a Certified Mortgage Planner to learn the actions that will enable you to be financially functional and stick to them — no matter what. ■



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One of the greatest compliments I can receive is a personal referral to one of your friends who may benefit from professional mortgage planning services.