



# 3 FOUNDATIONAL FINANCIAL BOOKS

In their recent podcasts about mid-year financial planning reviews, Prime Capital Financial Wealth Advisors, Jason Noble and Andy Merchant, suggest that consumers get more engaged by learning more about the financial matters that can impact their success. One of the ways they can do that is by reading books that have won acclaim in the financial services industry. Here are three books that both Andy and Jason recommend:

1. The Psychology of Money by Morgan Housel.
2. The Richest Man in Babylon by George S. Clason.
3. Tax-Free Wealth by Tom Wheelwright.

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Books can have a profound impact on your personal and professional growth and overall development, and each one of these three books offers very unique and practical advice. Below are some of the points made in these books in no particular order.

## Plan for the Long-Term, Again and Again

Long-term financial planning can be harder than it seems because your goals and desires change over time, as does legislation and the economy. That's why reviews and adjustments must be made consistently and regularly throughout the months and years as you carry out your plan. Effective financial planning is not "set it and forget it."

## Behavior is Key

The role of behavior in financial success cannot be overlooked. Good financial behavior includes patience, discipline, and the ability to avoid impulsive decisions—in fact, behavior can often outweigh technical financial knowledge because you can hire a financial advisor to provide the technical knowledge. But you are the one who has to have the discipline to follow through with your financial plan.

## Your Experiences Shape You

Your relationship with wealth is complex because your experiences throughout your lifetime have shaped your views on money. This is one of the major reasons that if you are part of a couple, both of you must get engaged in the financial planning process so that you can come into alignment.

But the other person who must get into alignment with you, whether you are single or part of a couple, is your financial advisor. Your uniquely personal life experiences—from how you grew up, to your attitude to risk versus reward—must be considered and must be central to your individualized, customized financial plan. A fiduciary financial advisor will learn as much as possible about you and your attitudes toward money so that they can provide you with recommendations based on what they believe to be your best interests at all times.



## Luck Versus Planning

Fiduciary financial advisors will include ways to mitigate risks you may not have considered or may not know about, in addition to ways you can invest your assets. These risks include the risk of becoming incapacitated or disabled, sudden stock market drops and corrections, losing a job, emergencies requiring costly repairs, health events, excess taxation, losing a spouse, etc.

Risks might be considered a part of "luck" (or lack thereof), but the best financial advisors create comprehensive financial plans to address and include every eventuality they can think of, so that you can have the best chance for success despite unexpected obstacles that might arise.

## Three Principles of Prosperity

Taken from the book, *The Richest Man in Babylon*, there are three basic principles you may want to incorporate into your financial life:

### 1. Pay Yourself First

This book advocates saving at least 10% of your income before you address other expenses—encouraging the habit of saving and prioritizing your own personal financial wealth and growth.

### 2. Control Expenditures

Secondly, the book encourages you to control your spending, live within your means, and recognize the importance of distinguishing between needs versus wants.

NOTE: This can be likened to what we do with our Clear Picture Wealth Program—we literally do a cashflow analysis where we walk through your expenditures labeling each one as either essential or discretionary.

### 3. Make Money Work For You

Third, the book talks about its central theme: investing savings wisely to generate returns. The word “wisely” is important because you should consider surrounding yourself with people who are well-versed in what you may not know about. For instance, if you want to invest in real estate, you will probably want to search out real estate professionals to work with.

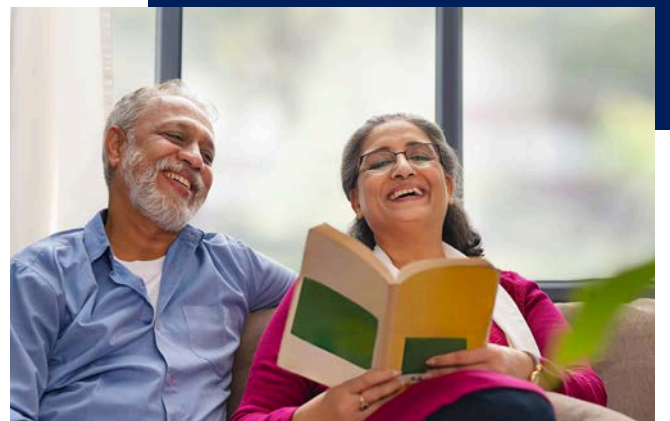
#### Understand Tax Laws

Even if you don’t understand tax laws, the book *Tax-Free Wealth* makes the point that you should work with professionals—like seasoned tax professionals, advisors, and CPAs—who do understand them. In fact, the wealthiest people in the world often consider the tax ramifications as a part of every financial decision they make. As is often said, “It’s not how much you make, it’s how much you keep.”

Tax planning strategies are different than tax preparation in that they look ahead proactively to the future while tax preparation looks back reactively on only the prior tax year. Tax professionals can help you maximize deductions and credits to help reduce tax liabilities. And when you understand tax laws, you can potentially leverage them to help build and preserve wealth, with the goal of using the tax code to benefit your personal situation.

Tax planning should also inform your investment strategy, as you consider the most tax-efficient investments. Roth conversion planning can factor in here, as you head toward retirement and begin thinking about how you will extract retirement income from your accumulated assets. When you depend on your assets to produce the cash you need to live on in retirement, do you want that cash to be taxable or tax-free? Consider this simplified example: If you need \$100,000 per year to live on during retirement, and if all that income is taxable and withdrawn from tax-deferred accounts like traditional 401(k)s, the government may take the first 30% or so off the top.

A financial advisor can help you analyze your unique situation, partnering with you and your CPA to craft a personal retirement income plan which includes strategies to help minimize taxes so that you can potentially have more spendable income for the long-term.



**If you would like to discuss your personal financial situation, we’re here to help. Our goal is to help you achieve your life’s ambitions. Remember, we are here to help with the complexities of financial planning while keeping your financial goals in focus.**

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