

If cash is king, cash flow is his queen.



In my *Slidell Magazine* column for the past few months, I've been telling you about my work with my hypothetical clients Bob and Lisa and our examination of the four domains of their financial lives. Thus far, our adventures have focused on the **Protection, Assets, and Liabilities** domains. This month, we're beginning our work in the **Cash Flow Domain**.

My objectives regarding cash flow for Bob and Lisa include the following: **1) increase gross income, 2) protect assets, 3) use cash liquidity wisely, 4) seek liability and tax efficiency, and 5) optimize net income.**

Although all five are important, protection and liquidity are paramount to financial success. For example, it makes little sense for Bob and Lisa to build assets in a 401(k), IRA, mutual fund, or other savings vehicle if they don't also have a

sound protection strategy. If something unexpected – and, possibly, expensive – happens in their life, it could drain away savings very quickly. However, using money to purchase protection doesn't mean they have to give up on asset-building or liquidity. For example, permanent life insurance – which is an asset class in itself, just like stocks, bonds, real estate, and others – not only provides a death benefit to protect their family, it also builds easily-accessible cash value that can be used throughout the life of the policy as a ready source of liquid assets when a need – or opportunity – arises.¹ This strategy is just one example of how I'm showing Bob and Lisa to be efficient with their cash flow, that is, make their dollars do more for them.

In nearly everyone's financial plan, liquidity – for example, assets that one can use for spending easily – is paramount. A good friend (and CPA) once said to me, "Cash is king." If that's the case, then liquidity is his queen, and we should bow down to her. For Bob and Lisa, our goal is to build their cash savings account to equal approximately four months of net family income, which will give them the liquidity they would need to get through a short-term rough patch. We might sacrifice a little in terms of return on investment, but I believe the confidence from knowing they have ready-access cash in the bank will make up for the rate-of-return shortfall.

As I said when I introduced Bob and Lisa a few months ago, they are like many of my young clients. They have dreams and plans, some for tomorrow and others for a long way off. However, they know very well that if they don't take control of their finances for themselves, no one else is likely to do it for them. If you share that same vision with Bob and Lisa, and would like to be the captain of your own financial ship, call me for a free consultation.

Mike Rich, CFP®, Pontchartrain Investment Management, 2065 1st Street, Slidell, LA 70458 985-605-5066

¹Benefits depend on the claims-paying ability of the issuing company.

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