

## **5 Keys to Achieving a Balanced Cash Flow Model**

The second law of thermodynamics says that things tend to move from order to disorder. If you are honest with yourself you know that this principal is true in almost every area of our life but very true when it comes to finances.

Knowing what a balanced position looks like is the first place to start.

A balanced cash flow position would be a financial position where you are putting away enough money today in your savings and investment tanks that when you no longer receive income from employment by termination or choice you will be able to draw from the dollars you have put away for your future and live the same lifestyle you enjoyed while working adjusted for inflation.

The 5 keys to achieving financial balance

1: Balance begins with taking a look at your current income. Is it stable? Have you been making this kind of money for a while, what about the impact of taxes. It is easy to allow your current income needs and desires to outrun your earnings potential which will cause a serious financial problem.

2: Another important factor is having an accurate picture of your monthly cash flow making sure you have included the tax filter in your thinking. There is a difference between how much you make and how much you keep.

3: Perhaps the most important issue is how you handle the Lifestyle Regulator. This valve determines how much you save and invest for your future lifestyle and how much you spend on your current standard of living. Do you save first then spend, or do you spend first and save what is left? You must regulate your current lifestyle to ensure balance. Current lifestyle spending is the one area that you have complete control and the one area that will have the biggest impact on your future.

4: To achieve a balanced cash flow model you must also monitor the asset allocation mix between dollars you put in savings vs investment opportunities. This changes over time as you get closer to your retirement years and requires constant attention.

5: Uninterrupted compounding plays an important role and will be a tremendous force in your financial life in helping you arrive at the necessary funds that will be required to insure your future lifestyle.

*Financial Wisdom: Your future lifestyle will be directly proportional to how you manage your current lifestyle.*