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# INTRODUCTION

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Visit the library or your local bookshop and you'll find no shortage of books on money. The other aisle that's competing for space is the self-help section. Judging by the abundance of books in both these categories one might conclude that Western society is miserably poor.

The mass media sells us on the belief that money will make us happy. We see what celebrities and the super-rich have and we want it because on the face of it, it looks desirable and they look happy until a tragic headline screams otherwise.

Most of us know that money itself won't make us happy and yet we structure our lives and finances around this assumption. When happiness still eludes us, even though we've got all the trappings of wealth, we wonder why.

The Dalai Lama summarised our perverse obsession with money and materialism perfectly in his response to a question about what surprised him most about humanity:

Man. Because he sacrifices his health in order to make money. Then he sacrifices his money to recuperate his health. And then he is so anxious about the future that he does not enjoy the

present; the result being that he does not live in the present or the future; he lives as if he is never going to die; and then dies having never really lived.

It's a sad indictment on modern society but I think he's right. At the same time, money is an essential part of modern life; we're encumbered by rent, mortgages, cars, mobile phones, utility bills and grocery bills that seem to grow exponentially each year. Money also affords us some pleasures and perks that help us to enjoy life, so one can hardly deny its importance. The trick is knowing the difference between our financial wants and needs and balancing that with a means of earning money that allows us to enjoy the kind of life we want.

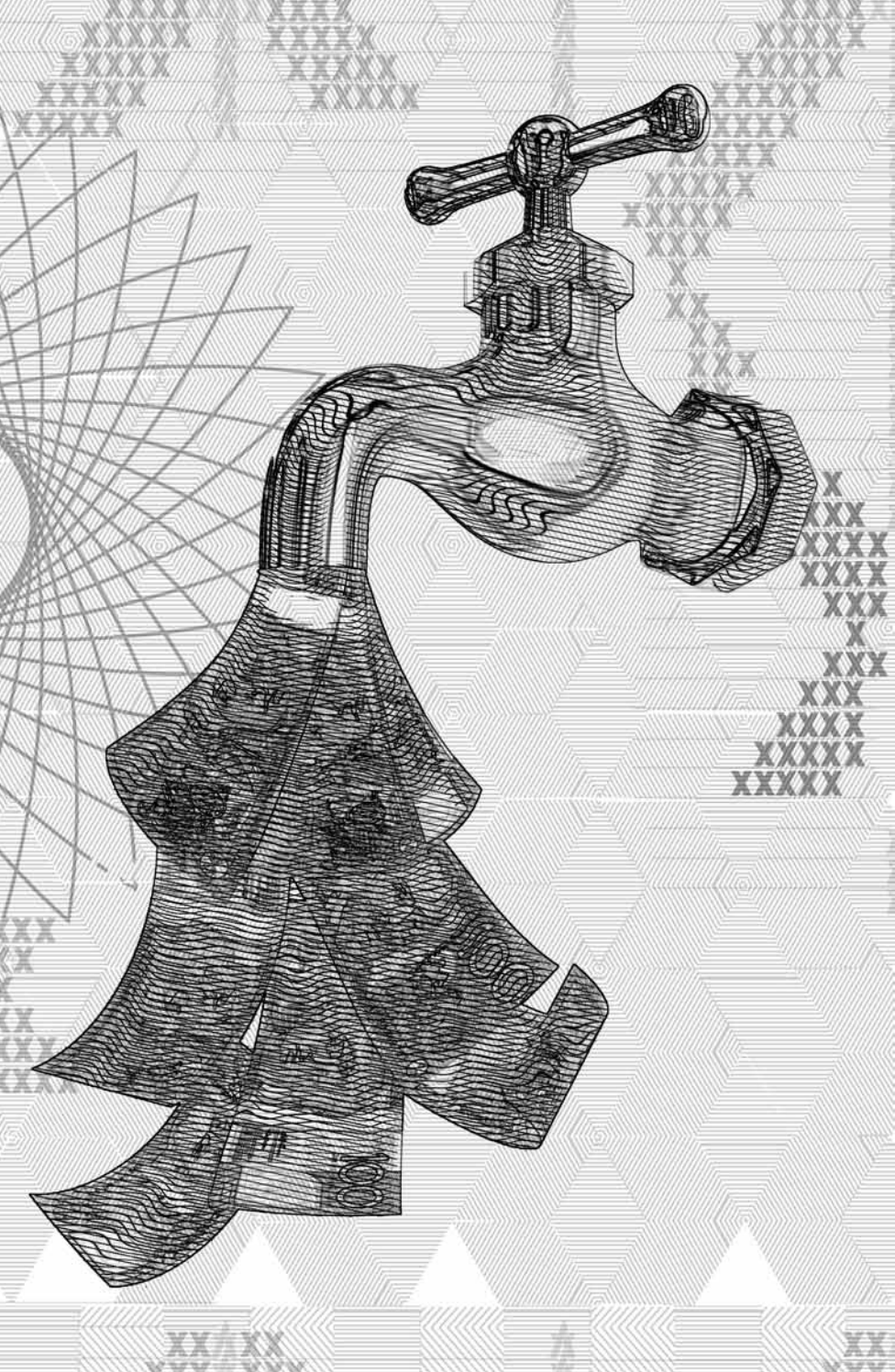
To treat money in isolation from the means by which we produce it, and the myriad of seemingly benign but hugely important decisions that impact on whether it grows or disappears, overlooks the central role we play in its manifestation and management. It also contributes to our misery if we construct a financial plan or put into place systems for controlling our money without knowing what we are trying to achieve. Most of us can't be bothered to give it too much thought because we're either busy or consider ourselves ill-equipped to handle it with any level of skill, confidence or expertise.

However foreign the world of finance may seem to those who feel like they don't understand money, we are all chief financial officers in our own right by virtue of the daily, weekly and monthly transactions that we make. That's not to say the decisions we make are necessarily good, only that we wield a lot more power than we realise. Yet all too often we surrender that control to financial institutions by failing to take a closer look at the nature of those relationships and the terms and conditions.

My philosophy towards personal finance is that you need to give as much care and attention to your inner wealth and

well-being as you do to your budget, spending habits, savings account and net worth. When you get the two areas working in tandem, that's where you'll most likely find your personal financial flow. What you do, how you do it, the people you surround yourself with, your personality, happiness, health and outlook will all influence and impact on your success, financial or otherwise.

During my years as a financial journalist in New Zealand I have interviewed many financial experts, and I have drawn on their wisdom in the pages of this book. I have also shared (with permission) the personal stories of everyday New Zealanders who came into contact with me during my time as a personal finance editor with [www.interest.co.nz](http://www.interest.co.nz). My hope is that their stories will inspire you, as well as demonstrate that the road to wealth is not just about money. It involves a process of self-discovery and a commitment to ongoing learning and reflection, which will ultimately lead you towards your goals and (ideally) financial freedom. Find your flow and the money will follow.



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CHAPTER ONE

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# A PHILOSOPHY OF FLOW

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**Flow is about more than cash flow. It is about life flow. Each of us creates our greatest wealth when we are in our own personal flow.**

*Roger Hamilton, wealth consultant*

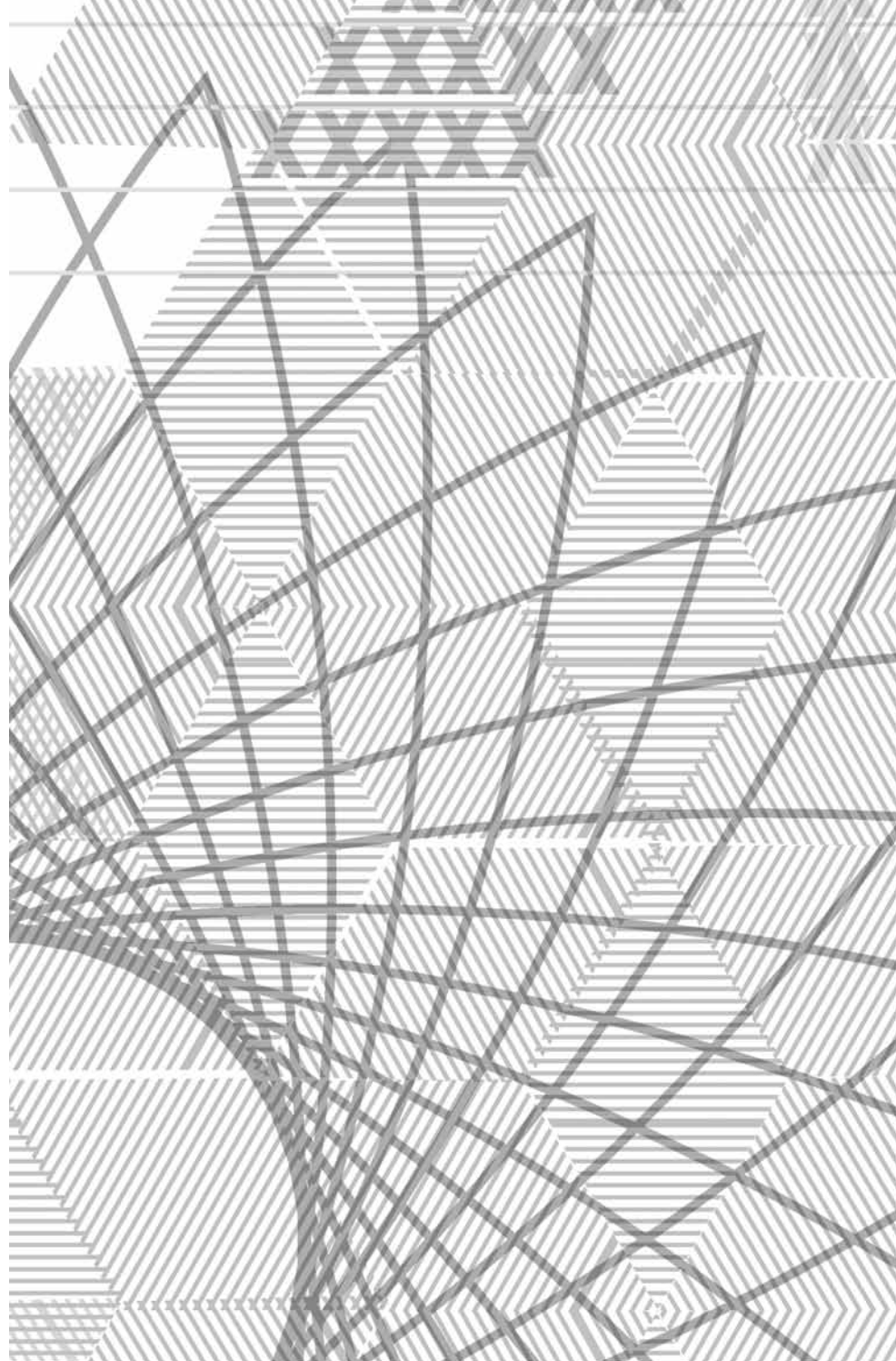
The idea that when you have found your personal ‘flow’ you are working in a way most conducive to attracting wealth is as intriguing as it is appealing. Who isn’t attracted to the idea of earning a living and ‘getting ahead’ by virtue of doing something you love or find satisfying, rather than grinding it out at a nine-to-five job putting your life on hold for retirement? It’s the ideal, right? Not reporting to anyone but yourself, loving your work, earning money that pays the bills and leaves plenty left over to have some fun. I love this idea too. The reality, though, is that most of us are tied down by responsibilities, choices or twists of fate that have led us to a path where we have bosses to please, deadlines and obligations to fulfil and jobs that we don’t like doing but do anyhow.

that will determine whether doors open or close, and ultimately whether these experiences will help or hinder your flow.

The starting point is to take stock of where you are now and then figure out where you want to go. Talk to people who inspire you, read as many books as you can, surround yourself with people who will support you in your goal and plug into the power source that feeds your soul. For me that's yoga. For others it's tramping or baking or fishing or collecting stamps. Cultivating personal happiness will serve you well, because it's the building block upon which you will find your flow.

**10 key questions to ask yourself:**

1. Are you happy? If not, why?
2. What would need to change for you to feel happy?
3. How can you begin to make those changes happen?
4. What are you good at?
5. What are you naturally interested in?
6. How could your passions be put to use to help other people?
7. Do you have the proper support/training/tools to pursue your passions?
8. What are your short-, medium- and long-term goals?
9. What's the end goal for you? Personally, professionally and in life in general?
10. What's your action plan?



free resources and apps on the market now, there's really no excuse not to take ownership of your debt. The amounts could shock you into action. Don't believe me? Crack out your credit card statement and find out how long your debt will take to repay at the minimum rate using the following calculator:

- [www.interest.co.nz/calculators/credit-card-minimum-payments](http://www.interest.co.nz/calculators/credit-card-minimum-payments)

### **Add it up: other resources**

- [www.interest.co.nz/borrowing/credit-cards](http://www.interest.co.nz/borrowing/credit-cards)
- [www.interest.co.nz/borrowing/borrowing-related-fees-0](http://www.interest.co.nz/borrowing/borrowing-related-fees-0)
- [www.interest.co.nz/borrowing/personal-loan](http://www.interest.co.nz/borrowing/personal-loan)

## **Debt free and \$100K ahead in three years**

One of the best debt-beating success stories I've heard comes from a loyal reader of my personal finance column. This individual went from being a debt-addicted party boy to a spreadsheet-producing, credit-spurning, goal-setting fiend with a six-figure portfolio, all within three years. When I inquired how this fellow managed to achieve such an impressive turnaround in such a short period of time, he shared with me his strategy and philosophy, which is very much like my own.

After years of running through his money as fast as he earned it and living for the day, not giving a thought to tomorrow let alone his financial future, he decided it was high time to smarten up and buckle down. He decided to run his life like a business and he made himself chief financial officer. It was no small feat. During the emails we exchanged, he confessed that his transformation had been the most challenging time of his life. He's 29 now. To start, he decided to track his money, down to the cent, every day for three months. By understanding his cash flow, he was able to modify his behaviour, doing away

with excess spending so he could get rid of his debt and then move into a savings position. When he was back in the black, he started to save in earnest, using the 'pay yourself first' approach. This is where a certain percentage of your pay goes directly into savings, without passing through your cheque account or any other portal that might give you a chance to blow it. It meant some serious sacrifices and a change in lifestyle from the one he had grown accustomed to.

'I gave up drinking, shopping, travelling and takeaways, and spent my weekends at home reading and watching finance videos on the internet,' he told me. Painful? You bet, but well worth it, he maintains. 'At first this was a huge sacrifice but now I'm comfortable with my decision as I have the big picture in mind. Short-term pain, long-term gain.'

His long-term plans, which he keeps fresh in his mind by tracking his goals and financial progress on sheets of A4 paper, complete with inspirational quotes and images of the lifestyle he longs for, are revisited on a monthly basis. I was curious to know what the catalyst was for breaking his addiction to debt and getting on the savings and investing wagon. I was both inspired and moved by his answer, which he agreed to let me share with you:

The turning point in my life took place in early 2009. Up until this point, I had no long-term goals, direction, budget or any concern about my future. I just assumed there would always be jobs and I would automatically earn more money over time. All I wanted to do was travel and have fun.

It started during a holiday in the US and amplified when I got back – I noticed news reports talking about the devastating effects of the credit crunch, and how highly qualified people were losing their jobs and struggling to find another. I was very fearful that I was going to lose

a cushion of three to six months' worth of living expenses is sound personal finance planning.

## Use your positive credit rating to your advantage

Pop quiz: any idea what your credit rating is? According to a survey by credit reporting agency Dun & Bradstreet, only one in 10 Kiwis have ever bothered to check their own credit history. The study also found that 39% of those surveyed didn't have a clue about personal credit reports. A further 48% did not know they could obtain a copy of their report. Here's the kicker: almost 60% didn't know what to do about it.

Dun & Bradstreet general manager John Scott says that those statistics are concerning, especially given the 'central role that personal credit reports play in the credit assessment process'. To fill the information void, the company has developed a website that allows people to check for themselves. It costs \$30 for a fast-track report or it's free if you wait 10 days. A similar facility was rolled out in 2009 by the agency's main competitor, Veda Advantage. Scott believes that users ought to take more of an active interest in knowing what's on their personal records. If your track record is unblemished, you should make a point of letting your bank know it. You can check out your credit history at these two websites:

- Veda Advantage: [www.veda.co.nz/personal/my-credit-file.dot](http://www.veda.co.nz/personal/my-credit-file.dot)
- Dun & Bradstreet: [www.dnbcreditreport.co.nz/](http://www.dnbcreditreport.co.nz/)

## Before you buy

Putting aside the financial considerations for a moment, there are some major practical and logistical considerations that ought to be mentioned.

### House inspection

Affordability will likely be a major factor in where you decide to buy, but before you put in your bid on that dream home at auction, make sure you've ruled out any issues that could turn it into a nightmare. The most obvious one is whether your dream home is what it appears to be from the outside and not a cold, leaky home masquerading as a palace. Realtors, by law, are required to come clean on this issue but they do have a way of minimising what can turn out to be big problems. Hiring a home inspector (someone who is qualified and not just your dad) to conduct a roof-to-foundation inspection so you know exactly what you're getting into is critical. The money will be well spent if it spares you from buying a money pit that you'll never be able to offload.

### LIM report

As a complement to that process, you'll want to request a Land Information Memorandum report (LIM) from your local council. This report will reveal other potential problems that aren't readily apparent when you fall in love at an open home; for example, flood and wind zone concerns, land erosion and any related planning issues. It will also include certificates, consents and permits held by council on the property. Make sure you understand the nature of the title on the house – cross-leases or unit titles could come with built-in complications or restrictions that may not be to your liking.

### Neighbourhood watch

Apart from the land, legal and structural issues, you'll want to know something about the actual neighbourhood – in particular, who you're living beside. If you're moving onto a lifestyle block and your nearest neighbour is five kilometres away, this might not be an issue. However, if you're in close quarters and one of