

## Financial Balance®

## 15 FINANCIAL RULES TO LIVE BY

The 15 Financial Rules are a checklist for our uncommon approach to financial thinking.

## PROTECTION

- 1** Protection First  
Before focusing on strategies that will build your tomorrows, it is prudent to properly protect yourself against what might happen today.
- 2** Full Replacement  
The primary role of insurance is to fully replace the item being insured by maintaining coverage equal to that item's complete appraised value. Therefore, your insurance should allow you to replace the whole house, the entire car, the real ring, and your full economic or "human life" value.<sup>1</sup>
- 3** Lifetime Protection  
You should consider insurance strategies that will properly protect you — no matter how long you live.

## ASSETS

- 4** Rate of Return  
Savings or investment returns are important in order to keep pace with the Real Cost of Living™.
- 5** Reduce Risk  
Disciplined savings can reduce the need to take too much risk with your money.
- 6** Tax Advantages\*  
The impact of compounding taxes can impact the performance of your savings and investments. Strategies and products exist that can help you reduce your tax burden.
- 7** Liquidity  
Consider building an ample supply of short term capital before implementing illiquid wealth building products.

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## ...15 Financial Rules continued

## LIABILITIES

- 8** Eliminate Debt  
Pay off all short term debt as soon as possible.
- 9** Reduce Taxes\*  
Certain assets can create taxes on your balance sheet that will be triggered upon sale or liquidation. You should be aware of this possibility and take steps to minimize the impact of these potential taxes.
- 10** Mortgage Selection  
If your mortgage payment is too high, it could be crowding out your ability to protect properly, save for tomorrow, or maintain a balanced lifestyle. Ideally, your mortgage payment should not exceed 15% of your monthly gross income.

## CASH FLOW

- 11** Increase Gross Income  
Rather than automatically compounding interest and reinvesting dividends and realized capital gains into the same accounts, seek to use this cash flow to satisfy other financial opportunities.
- 12** Protect First  
Update your insurance coverage as needed so that you have the maximum protection in every area — for the minimum cost.
- 13** Cost of Living Savings  
In order to absorb the Real Cost of Living<sup>™</sup>, save at least 15% of gross income.
- 14** Debt and Tax Efficiency\*  
Pay off credit cards each month, consider tax strategies, and make sure your monthly mortgage payment allows you to maintain overall Financial Balance<sup>®</sup>.
- 15** Budgeted Lifestyle  
After implementing protection, saving at least 15% of your gross income, and doing what you can to reduce the drag of debt and taxes, what's left can be used for your current lifestyle. Creating a budget will help you stay on track and allow you to review your spending habits.

<sup>1</sup>The HLV Theory states that one should maintain life insurance equal to the present value of their expected future earnings. Life insurance companies place limits on life insurance available to consumers based upon this formula and have created age-based multiples of current income as a guideline. For example, a person in their 30s may be insured for around 30 times their annual income, 20 times for a person in their 40s and 10 times for people in their 50s. Age 60 and over about 1 times net worth.

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