Your wealth journey starts with a single step

The best way to tackle any goal, whether it is losing weight or saving for retirement, is to set small short-term goals which will ensure continuous positive reinforcement as you tick them off, writes Andro Griessel.

The journey of life largely consists of falling, getting up and trying again. This process will often feel like failure, although the exact opposite is true. True failure lies in those individuals who do not have the courage to get back up from a fall. Remember, life is degenerative in nature, therefore even remaining stationary requires effort.

A passive approach to your goals will inevitably result in failure. This is clearly evident in the success of your New Year's resolutions, although also applicable to most other aspects of your life.

The problem with most people's dreams, ideals and resolutions is that it is not clearly enough defined at the onset and not broken up into realistically attainable short-term milestones.

Short-term progress goes unnoticed when your current situation (e.g. 120kg) and your end-goal (e.g. 90kg) are too far removed, discouraging you before you even begin.

Whether losing weight or saving for retirement, the best way to tackle any goal is to set small short-term goals which will ensure continuous positive reinforcement that you are on the right path toward achieving your goal. So, is your financial planning on track?

If your answer is yes, feel free to put this article down and use this time to work on uncertain areas in your life. If your answer is no, then the following steps might help.

The following steps will inherently have associated costs for individuals who have never taken them. I will therefore list them in order of importance (in my opinion).

1. Insure your income

Unless your income is passive in nature, this is the most important aspect of your planning. Remember, without an income you cannot fulfil your numerous current obligations.
There are two main events that you have to make provisions for. Firstly, you are injured or sick to such an extent that you are unable to continue working (temporary or permanent). Secondly, you are deceased while leaving behind dependants.

A competent financial planner will be able to assist as to what insurance is best suited. This is a simple step and could be implemented within a month of seeing your advisor.

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2. Ensure you are covered against medical expenses

I know of people that insure their car, but do not have medical aid.

This is absurd. The cost of replacing an earthly possession is limited to the value of that possession.

Medical expenses can amount to several millions of rands. There are exceptional cases where medical aid will not take preference, but you have to assume then that you will be using a state hospital.

3. Get your core retirement plan ready

Some people, me included, say they are never going to retire. This is all very well, but not everyone can work for themselves.

Most people have a set retirement date somewhere in the future and look forward to close that office door behind them for the last time.

But you have to be very certain that when that day comes, you will able to sustain your desired standard of living. This step is unfortunately a lot more complicated than the first two. I really want to emphasise the need for you to see a professional to assist you with this responsibility, and not someone who was a personal trainer or selling cars only a year ago.

The assumptions on inflation and growth, calculations and costs of products play such an important role that a half-baked approach simply cannot be tolerated.

4. Consider the impact of dread diseases

It appears to me that dread diseases, especially cancer, are reaching epidemic proportions and even more concerning, affecting people from a much younger age than historically.

It is also associated with very high costs, often insufficiently covered by your medical aid. Consult your financial advisor to ensure you are prepared to face the impact of such an occurrence.

5. Plan your lifestyle

Once you have covered your basic financial planning you can move on to more pleasant aspects of money – how it can improve your life.

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In this phase you can start planning on how you will spend your money, because remember, unutilised money has no purpose, apart from providing a little peace of mind. A typical example will be to create a vacation-fund or a plan to replace your current vehicle.

6. Reducing taxes

This is especially important for the top percentile individuals. This is simply because they have more than likely already addressed all the other aspects. Once you have reached this stage of your planning, you really don't have any major concerns left.

Best of luck for 2017 and remember, every journey begins with a single step, take it!

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