

# FINANCIAL AUTONOMY

The money book that  
gives you choice

**PAUL BENSON**



You are reading the first chapter of  
*Financial Autonomy* by Paul Benson.  
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## PRAISE FOR *FINANCIAL AUTONOMY*

‘A clear, sensible and straightforward guide to taking control of your money and putting you on the path to financial independence.’

**Stephen Miles**, Investment Editor, *Sydney Morning Herald*  
and *The Age*

‘Paul writes in a way that takes you from not knowing how or where to begin with money to having the confidence to make real changes after one reading session. The five steps outlined in this book are a testament to Paul’s practical experience with helping hundreds of people, face-to-face over the years. Put simply, Paul knows what works and in what order. If you have no idea about your money life or perhaps are after some encouragement as your plans have drifted – this book is for you. For me, it is refreshing to read something easy to understand with lots of visual prompts and I’d encourage you to lean to the gold within.’

**Glen James**, *My millennial money*

‘*Financial Autonomy* is a holistic guidebook to your financial future. Rather than just advising “how to invest” or “how to get rich”, Paul outlines three distinct – but possibly overlapping – strategies to build wealth and freedom. Or choice. Or independence. Or autonomy. Most importantly, he’ll help you analyse your true financial goals and needs to help you choose the right path for you.’

**Nick Loper**, *The Side Hustle Show*

‘If you’re looking for a digestible, results-driven book to take control of your finances, then this is the book for you. A must-read.’

**Bryce Leske**, *Equity Mates*

‘As a young Australian, I strongly relate to Paul’s message of taking back financial control over your life and know first-hand just how empowering it is to do so. Many people discuss shares and property as the way to reach financial independence, however Paul has started the conversation about a third way, starting a business. Paul has packed *Financial Autonomy* with fantastic examples of what this could look like and has the knowledge and experience to back it up. I would highly recommend *Financial Autonomy* to anyone looking to explore their options to regain control over their financial life.’

**Kate Campbell**, How to Money

‘I have worked with Paul for over ten years to build my portfolio with a focus on my early retirement. Paul listens to my goals, which do change, and adjusts our approach as my needs adjust. Paul is patient and I rely on his sound financial advice.’

**Emma-Louise Ward**, Client of Guidance Financial Services

‘I really enjoyed reading Paul’s book. He made what can be complex financial concepts incredibly simple to understand. The book also covered a wide scope including investing in property, shares and even starting a business or side hustle, which is very valuable. Perhaps the thing I enjoyed the most was that *Financial Autonomy* was very practical and relatable with plenty of real-life examples, checklists and quizzes.’

**Stuart Wemyss** – Director, ProSolution Private Clients  
and author of the best-selling *Investopoly*

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## A NEW FOCUS

Plenty of books, podcasts and blogs focus on building wealth – and that’s great, as far as it goes. But focusing just on wealth misses the point. I’ve worked with hundreds of people for over 20 years, helping them manage their financial lives, and my observation is that what we actually all want is something else. Being financially wealthy – rich in the classic Scrooge McDuck sense – is not the end point most of us seek.

What we’re actually seeking is choice.

Choice in how much time we give to income-producing activities.

Choice about what those income-producing activities are.

Choice about where we live.

Choice about when we retire.

Choice about the ways we use our money to produce happiness.

That’s why this book is called *Financial Autonomy*. It’s not called *How to Make a Million Dollars*, or even the closely related but still not quite right *Financial Independence*.

I’m not promising to make you rich, though building wealth is often an important step to gaining choice. Instead, I’ll focus on helping you determine what it is you’re seeking, and then on developing your own personal roadmap to deliver that. Too many people aim at the wrong target – mostly, in my experience, not out of ignorance or foolishness, but because they are conforming to the standard narrative.

Do any of these goals seem familiar?

- ‘Success in life is being able to retire as early as possible.’
- ‘It’s important that I update my car every four years.’
- ‘If I don’t work 40-plus hours per week, I’m a slacker.’
- ‘The more stuff I have, the happier I’ll be, and the happier I’ll make those important to me.’

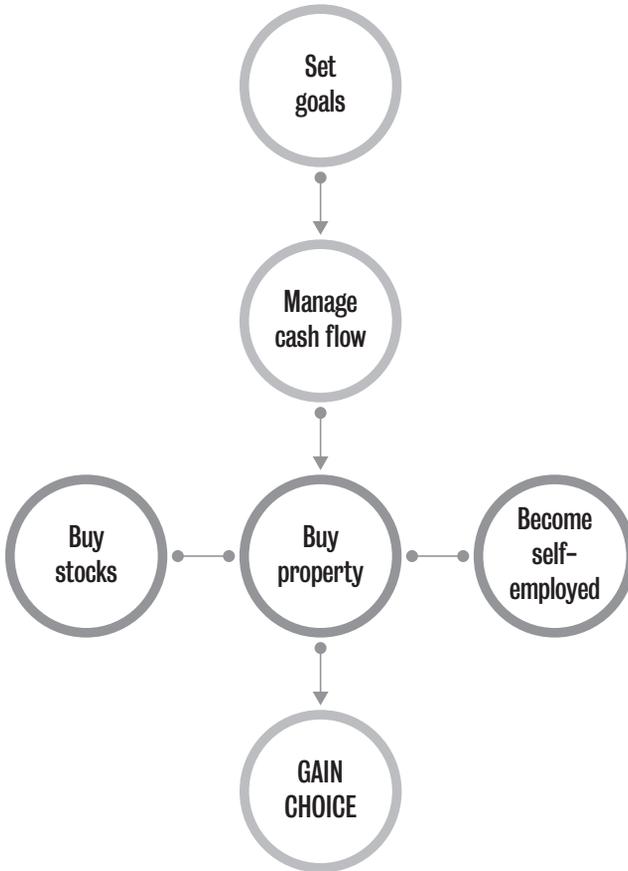
You’ve made the decision to pick up and read a book called *Financial Autonomy*, which suggests to me that you’re already questioning these sorts of standard goals that we’re led to believe should be the focus of our lives. You’re not alone. I’ve been producing a podcast, unsurprisingly called *Financial Autonomy*, for three years now, and thousands of people just like you listen in each week.

The truth is:

- Retiring early with nothing to fill your days leads to a miserable, lonely life.
- Your ten-year-old car will get you where you need to go perfectly well, provided it’s well maintained.
- The number of hours you devote to generating income should be determined by how much income you need to live the life that works for you, not by some sort of societal prescription.
- As the growing minimalist movement has found, less stuff rather than more stuff can make us happier, and is also a whole lot better for our planet.

## THE JOURNEY TO FINANCIAL AUTONOMY

I'm a visual thinker – when I've got a problem that I need to think through I go to the whiteboard. Here's how I think about the journey to financial autonomy.



This is the framework of this book and also of your personal financial autonomy action plan, which I hope you'll create either while you read this book or when you have finished it.

## **Part One: Your goals**

We start with your goals. If there's no clarity on where you're trying to get to, it's impossible to know if you're even heading in the right direction, let alone making progress.

## **Part Two: Your cash flow**

Then, we look at cash flow – income and expenses. If you spend more than you earn, no investment strategy is going to put you on the path to gaining choice. You need to be deliberate with your spending and maximise your savings. Part Two of the book explains six different money-management approaches and provides an easy-to-use tool to help you choose the one most likely to suit you.

This cash-flow stage is incredibly important. Maximising your income and aligning your spending to your goals can have an enormous impact on your autonomy and happiness. Some financial autonomy goals can be achieved solely by good money management; I've included case studies of real people who have done just that.

Importantly, this isn't about living a frugal, miserable life. Spend money on what makes you happiest, but do so with a plan, recognising that money spent on one thing can't then be spent on something else.

## **Parts Three to Five: The three paths**

Next, we have three pathways – investing in stocks (also called shares or equities), investing in property and pursuing self-employment. After 20 years spent helping people gain choice, my observation is that everyone uses at least one of these pathways to reach success. Most people use at least two, and plenty (myself included) use a combination of all three.

The first two paths, investing in stocks and property, could be considered the most traditional ways to build financial security. They each have their pros and cons, and we'll explore those. However, they have the same destination: assets that can produce passive income, income that flows to you without you having to get out of bed.

The self-employment pathway is a bit different: this is where the idea of financial autonomy departs from the traditional idea of financial independence. Our goal is to gain choice. Now, for very many people, that choice involves how they use their time. A common financial autonomy goal, for example, is being able to be involved and engaged in children's lives when they're young, particularly until they reach secondary school. People often want to be able to do school pick-ups, help in the classroom, volunteer for the parents' association or make costumes for the ballet concert.

Speaking as a parent with two teenage boys who are close to adulthood, those kindergarten and primary-school years are fleeting and special. It's easy to turn around one day and find your children have lives of their own and that hanging out with Mum or Dad is not at the top of their 'Most desirable things to do' list. You've hopefully got 80-plus years on this planet. If you've chosen to be a parent, then you have perhaps a dozen of those years in which to influence the trajectory of another human's life and lay the foundations for a relationship with them. It's a window of opportunity not to be missed.

Self-employment may be your pathway to achieving financial autonomy, not because you aspire to be the next Bill Gates, but because you seek the flexibility that self-employment allows.

The desire to pursue a creative life could be another reason to choose self-employment as a financial autonomy pathway.

Perhaps you're a musician, for example: to really devote yourself to this pursuit, you need to get out and perform. This might require you to be out late into the night, and to tour around the country or even internationally. That's hard to make work if you're tied to a traditional nine-to-five job with four weeks of annual leave. However, if you've been able to configure a self-employment solution that covers your income needs and provides the flexibility to work remotely and when it suits you, you can chase your dream.

## **The Financial Autonomy workbook**

Throughout this book, I've included self-assessment tools, checklists and templates to help propel you forward in developing your financial autonomy plan. If you're like me and find the idea of writing in a book akin to eating off your knife at the dinner table, download the free companion workbook, which combines all the resources in this book, from [www.financialautonomy.com.au/workbook](http://www.financialautonomy.com.au/workbook). I encourage you to download this now and print it off. That way, you can complete it as you work through this book, and you'll have a financial autonomy plan ready to move forward with at its conclusion.

Right, that's enough preamble – let's start making some progress! Here's your first self-assessment quiz. Its job is to help you identify which of the financial autonomy pathways is most likely to suit your personality and circumstances. Jump in and let's see what you learn.

## Self-assessment: Financial autonomy pathways

Read each question and choose the response that feels most right for you of the three options available. If a particular question has no relevance to you (for example, the question about your boss if you're already self-employed), just skip it.

1. I have a good capacity to save on a regular basis.
  - a) Some capacity to save.
  - b) Yes, that's me exactly.
  - c) No, my ability to save is pretty limited.
2. I'm interested in podcasts, books and blogs on marketing and entrepreneurship.
  - a) Not at all.
  - b) Sometimes.
  - c) Yep, that's me.
3. I/We have paid off our home and now have significant surplus cash to build an investment.
  - a) Yes.
  - b) Not even close/I don't own a home.
  - c) Not paid off yet but well on the way.
4. I've owned stocks in the past but found the volatility stressful.
  - a) Yes, very much so.
  - b) No. I've owned stocks and volatility is not an issue.
  - c) I've never owned stocks.
5. I'm pretty 'handy' and enjoy renovation projects.
  - a) That's me.
  - b) A renovation project would be my worst nightmare.
  - c) I can do the basics but only what I have to.
6. I've got a busy life. Any pathway I follow must require minimum time.
  - a) I can always find some free time if needed.

- b) Spot on.
  - c) No, I've got time to take on new projects that interest me.
7. I like learning and experimenting and am constantly curious.
- a) Sometimes.
  - b) Often.
  - c) Yes, that's me 100 per cent.
8. I need regular income from my financial autonomy pathway – ideally monthly.
- a) Definitely.
  - b) Income would be good, but it doesn't need to be monthly.
  - c) My needs are pretty flexible.
9. My boss is a moron; I could run this business so much more successfully.
- a) No interest at all in running a business.
  - b) Not really.
  - c) Totally.
10. I dislike conflict and would never want to manage staff.
- a) I'd never say 'never', but it's not a strong desire.
  - b) Correct, that's me.
  - c) Not at all, I like to manage people or could see myself being good at it.
11. I've always dreamed of: (You can select more than one option here.)
- a) Owning an investment property.
  - b) Owning a stock portfolio.
  - c) Starting my own business.
12. I enjoy my job and see myself staying put long term.
- a) Correct.
  - b) Depends on the day.
  - c) No.

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13. My family relies on my income to meet our needs. The priority therefore is consistent and reliable income.
- a) Certainly a consideration.
  - b) Definitely.
  - c) Doesn't apply to me.

### Which financial autonomy pathway is right for you?

Tally up how many times you have answered a), b) or c) respectively.

Your score	Interpretation
<b>Mostly a's</b>	If the bulk of your responses were a's, then investing in property is most likely to be a good pathway for you to explore.
<b>Mostly b's</b>	If the bulk of your responses were b's, take a look at investing in stocks.
<b>Mostly c's</b>	If c was your favourite answer, the self-employment pathway is likely to be your primary financial autonomy solution of choice.

As I mentioned earlier, most people will achieve financial autonomy through at least two pathways, so check which answers (a's, b's or c's) got the second most votes. That pathway may warrant investigation as well.

### WHERE TO NOW?

I'm conscious and respectful of your time, so I encourage you to jump about this book as suits you. The hours you dedicate to digesting its contents are hours you can't spend doing something else, and I want to ensure you get full value for the investment that you make. I want to deliver you results – get you on the path to gaining choice. So, if your pathway is likely to be property and

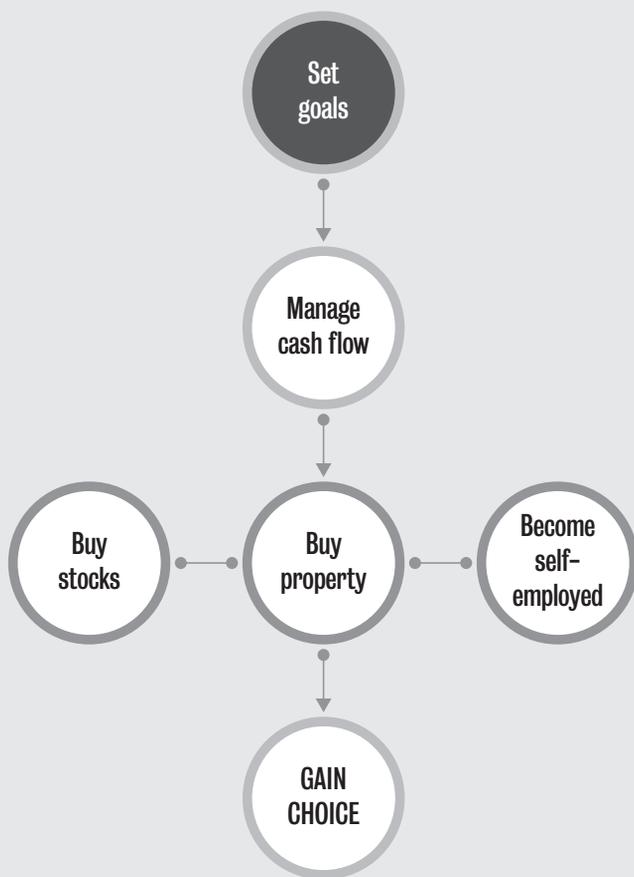
self-employment, feel free to skip the chapters on investing in stocks. You might even want to read the self-employment section first, then the stocks section. Absolutely fine by me. This isn't *Lord of the Rings* – you don't need to read the book chapter by chapter in order to follow the story. There are no rules here.

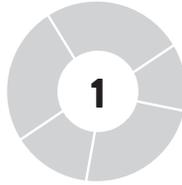
Before you jump into Parts Three, Four and Five to focus on your financial autonomy pathways, however, I do urge you to read Part One and the chapter 'Goal-setting with purpose'. Without a clear goal, you'll be running around like the classic chicken with its head cut off. I also encourage you to digest Part Two, 'Cash flow'. Investing in stocks and property requires that you use your savings to purchase these assets – logically, the more savings you have, the more rapidly you can do this. If self-employment is your financial autonomy pathway of choice, managing your cash flow may still be an important precursor, as you will likely need some initial capital investment, and perhaps a runway to give the venture time to succeed.

Congratulations on embracing the idea of financial autonomy. Let's get started building your personal roadmap to gaining the choice in life that you deserve!

# PART ONE

## DEFINE SUCCESS





## **GOAL-SETTING WITH PURPOSE**

Step 1 on your financial autonomy journey is to set your goals. Goal-setting is an essential foundational step because it defines the direction you are heading, and what success looks like.

However, setting the goal is not enough in isolation. Every sporting team starts the season with the goal of being number one at the end of the season, but most don't succeed. The goal, while essential, is just the first step – you also need a strategy and you need to take action. The later chapters in this book are intended to help you do just that.

Goal-setting has another benefit, too: it increases your happiness. I've thought about and written a lot on happiness, because when you boil it down, that's the core aim. Whether your goal is to send your kids to a private school, visit Antarctica, or own a Porsche 911, what you're really chasing is happiness.

There are many definitions of happiness, but this is the one that has resonated most with me over the years:

**Happiness is making progress towards  
a worthwhile goal.**

I find this to be a really interesting insight. Happiness isn't some fleeting thing that only occurs when you reach your goal. Rather, it's something you experience as you make progress.

Last summer, I had a goal of completing the Lorne Pier to Pub ocean-swimming race. I was successful in achieving that goal, and the day itself was wonderful, but the training process was also terrific. In order to get there, I joined a swimming group and trained several times a week. I met some great people, making new friends as we went along. I also got a huge amount of satisfaction from the improvement I made as the training progressed – being able to cover distances that a month or two earlier had felt well out of reach. Happiness is making progress towards a worthwhile goal.

If you're willing to embrace this definition of happiness, then:

1. It's really worthwhile setting some goals.
2. There's lots of potential happiness for you to enjoy on your journey to achieve those goals.

## **WHAT'S YOUR 'WHY'?**

Before we get into laying down your financial autonomy goals, let's take a step back for a moment. Author and speaker Simon Sinek wrote the book *Start With Why* in 2009 and has delivered some great TED Talks on this idea that you might want to take a look at. When it comes to setting your goals, taking a few

moments to first reflect on your ‘why’ is likely to be time well spent. The key is to dig down multiple layers. Here’s a personal example of mine that I completed when working on my business plan. My goal is to grow my business:

- Why? To get business revenue growing.
- Why? To increase profit.
- Why? For financial security and lifestyle.
- Why else? To be able to reduce reliance on me by building a team.
- Why? For lifestyle (travel) and increased business value (not being owner-centric).
- Why else? With a larger team, I can focus on doing the bits I like doing and hand off other things to staff.

Hopefully you can see here that by not stopping at the first answer, by asking why again and again, I was able to get at what I was really trying to achieve.

Executing a plan to achieve a particular goal rarely happens without any setbacks or things out of left field that you hadn’t considered. Adaptation is therefore an essential requirement in achieving success. In start-up land, they call it a ‘pivot’. The risk, when faced with the need to make changes, is knowing which path is the right path. That’s where being clear on your ‘why’ is so crucial. Your ‘why’ is your magnetic north. It guides you towards progress through the normal twists and turns of life.

Let’s consider an example. Say that you want to move to self-employment so as to have the flexibility to work around your kids’ school drop-offs and getting them to their after-school activities. You use your skills as a compliance manager, built up over ten years of employment, and start your own one-person

business, providing compliance services for three medium-sized businesses, mainly from your home office with occasional site visits as needed. You're working around 20 hours per week. You'd like a few more hours, ideally about 30 in total, but all things considered, you're in a good place.

One of your clients buys another business, and as a result roughly doubles in size. They approach you about working one day per week on site at the new business to help with the integration. They'd require you to be in the office from 8.30 a.m. until 5 p.m. and the office is 30 minutes' drive from home.

Now, without a clear 'why', this opportunity would seem to be a good one. You wanted more hours – well, here they are. But because you have a clear 'why', you can consider whether in fact this opportunity is one you should be taking. It doesn't provide flexibility, and the hours plus the commute don't allow you to do the things with your children that were the whole reason for moving to self-employment in the first place.

Knowing your 'why' makes your decision process easier.

## **EFFECTIVE GOAL-SETTING**

With clarity on your 'why', let's move onto setting your goals. The number-one mistake people make when setting goals is not being specific enough. They create vague goals like, 'I want to pay off the mortgage'. Well, sure, anyone with a mortgage does. However, a vague goal like that doesn't give you much scope to develop a plan to achieve it, or enable you to set milestones, another essential step in successful goal-setting. A more useful goal would be, 'I want the mortgage to be under \$100,000 by the time I'm 40, and paid off entirely by the time I reach 45'.

A popular framework when it comes to goal-setting that you've quite likely come across before is SMART, an acronym for:

- **s**pecific
- **m**easurable
- **a**ctionable
- **r**ealistic
- **t**ime bound.

Here's an example of applying the SMART methodology to your goals.

Let's say you had a goal to own a house near the beach one day. It's somewhere that perhaps you would retire to later in life, but you'd like it to be a holiday house until then: just somewhere you and your family can escape to and spend quality time together. So the first step is to be 'specific'. Where do you want to have the beach house? How many rooms would it need to have? Your goal might then become, 'I want to own a house near the beach, in the Inverloch region of Victoria, that has at least four bedrooms and two bathrooms'.

The next step is to make your goal 'measurable'. Do a little bit of internet research and determine what the house is likely to cost. Let's say you determine that a suitable property is likely to cost around \$400,000.

On to 'actionable' and 'realistic'. Given your current financial position and income, is there a genuine likelihood that you can achieve this goal? You may not know the exact path, but you should have a sense of whether it's possible, then finally 'time bound' – that might be 'By the time I'm 50'.

So, your original goal was to own a house near the beach one day. Your goal, re-expressed as a SMART goal, becomes, 'By the time I'm 50, I want to own a house near the beach in the Inverloch region, which has at least four bedrooms and two bathrooms, and I expect to need to spend around \$400,000'. Your goal has gone from a 'one day, maybe' proposition, to something that is quantified and really specific. With this nailed down, you can now work on a plan to get you there – whereas before, how would you know if you were making progress?

### **Goal categories**

One more thing to consider, before you put this book down for a few minutes and write down your goals: there are different categories of goals. Sure, this book has the word 'financial' in the title, but that doesn't mean all of your goals should be about money. Here are the goal categories I like to consider:

- experiences
- things
- relationships
- altruism.

I'm not saying you need to have a goal in each category: rather, just consider each category and reflect on whether happiness lies there for you. Here are a few examples to help your thinking:

- **Experiences**

Hike the Inca Trail to Machu Picchu, take the kids to Disneyland, learn a new language, take six months to travel around the country, learn to surf, attend the Glastonbury Festival in the UK.

- **Things**

Pay off the mortgage, upgrade to a larger/better house, buy the sports car of your teenage dreams, renovate the kitchen, get a second home near the beach or in the country.

- **Relationships**

Have the time to fully participate in your children's lives, take care of your elderly parents, ensure your partner knows you appreciate them.

- **Altruism**

Volunteer for a local community organisation, make regular donations to a cause of significance to you, help out family members in need.

## **Include your partner**

If you have a partner, it's essential that you include them in your financial autonomy journey, especially in this goal-setting phase. Psychotherapist Dr Barton Goldsmith goes so far as to say, 'Goals are a relationship necessity' (and wrote an article with this name for *Psychology Today* back in 2010).

If the choice in life that you're seeking involves a major change, like a new career or moving to self-employment, it's possible your partner might be reluctant. Things are comfortable now: why take the risk? I'm not a relationship counsellor, but an approach could be to paint a picture of what success looks like. For example, if your goal is to cut back to three days per week of paid employment, you could talk about the extra family time that will allow, or the reduction in stress levels in the household.

If your partner does have concerns, acknowledge them, and then try and find solutions together. There may be value in getting some financial modelling done so you can really see how things will look in a money sense if you pursue this goal.

I met a great couple recently, Tim and Sarah, who were about to have their first child. They wanted to know if it would be possible for Tim to quit his job and become a tennis coach. He didn't need to do this straight away, but wanted it to happen sometime in the next ten years. We were able to do the financial modelling for them and show a couple of ways for him to achieve this goal. It was a great way for the two of them to understand what was possible, and also what the costs were – in this case, working longer before retirement.

Two people working together on a common set of goals can accomplish far more than two individuals with separate agendas.

### **Gaining choice is more important than ever**

In my lifetime, we've witnessed the internet rise from nothingness to omnipresence, with the world's knowledge in our pocket.

If you had a *Doctor Who*-style time machine, you could pick someone up in 1500 AD, drop them off 200 years later and, while they'd undoubtedly notice some changes, they'd be able to get on with life just fine after a little adjustment. Pick someone up from 1820 and drop them into today's world, though, and you'd see their head explode – planes, cars, phones, television, credit cards, and the enormous change in women's roles in our society would be a huge shift from their own time.

Not only is change a constant, change is accelerating. Tim Urban, in his great article 'The AI revolution: the road to superintelligence', highlighted the link between Moore's law (the concept that computing power doubles roughly every two years) and the advancement of artificial intelligence. AI today isn't close to being as smart as a human, simply because we don't have computers able to process information as quickly as our brains

can. However, applying Moore's law to today's computing power, we'll have computers with human-like processing speed in 20 to 30 years.

Change, then, is not slowing down. In fact, acceleration of AI capabilities could massively up-end our current employment world – trucks that drive themselves, for example, will put current truck drivers and couriers out of work. Accountants, medical specialists, engineers, and (heaven forbid) even financial planners may well be replaced by computers that are able to access every piece of knowledge available and provide better solutions than we ever could have.

However, human history has shown that we adapt. When the industrial revolution began, many were fearful that the cotton weavers and blacksmiths would be put out of work, with no new opportunities to go to. Of course, instead, new opportunities grew enormously – and so too will they for us in the future. But we need to be able to embrace them. Retraining mid working life will become more and more important (and perhaps lead to a more interesting life, too), but it's tough to retrain when you're buckling under the strain of debt and mounting bills.

Building your financial strength, your resiliency, has never been more important than it is today. The future will be wonderful, but you need to ensure you're in the driver's seat.

## **ACTION TIME**

Okay, it's time for you to take some action. In your workbook or on a sheet of paper, write down some goals that will see you gain choice in life. Start with a brain dump of ideas, then refine and consolidate them. Keep in mind the importance of detail.

## Prioritisation

Hopefully, you now have several goals that you want to achieve in your pursuit of gaining choice. To move forward and develop an actionable plan, it's essential that you prioritise these goals, as often it's not possible to focus on two goals simultaneously. For instance, if one of your goals is to pay off your mortgage, and another is a family trip to Disneyland, money devoted to one denies you the other goal.

Now, you could simply look at your list of goals and rank them from one down, but I've got a more robust system for you. I learned the following technique several years back: I've found it enormously helpful in developing a plan for achievement of my goals, and I use it with clients all the time. Let me take you through an example.

Let's say that your goals are as follows:

- *Pay off my \$375,000 mortgage by the time I turn 45.*
- *Take a family holiday to Disneyland in two years' time when my oldest child is twelve.*
- *Build a nest egg to enable a comfortable retirement at age 60 on an income of at least \$75,000 per year.*
- *Renovate the kitchen and bathroom next year, with a budget of \$40,000.*

These four objectives were recorded in the order they came out of your head, and so it would be tempting to assume they automatically reflect your priorities. My experience is that this is rarely the case.

Here's how to find the true priority:

- Ask yourself: if you were only given a choice between the first or second objective – mortgage or Disneyland – which would you choose? You have to pick one, but you can't pick both. Whatever your answer is, put a tick next to that one.
- Next, look at the first and third objectives. If you could only choose one, would it be mortgage or nest egg?
- How about mortgage or kitchen?
- Now compare the second and third objectives, then the second and fourth, and finally the third and fourth.

At the end of this process, you should have compared each objective head to head and have come out with something that looks like this:

✓ Pay off my \$375,000 mortgage by the time I turn 45.

✓✓ Take a family holiday to Disneyland in two years' time when my oldest child is twelve.

Build a nest egg to enable a comfortable retirement at age 60 on an income of at least \$75,000 per year.

✓✓✓ Renovate the kitchen and bathroom next year, with a budget of \$40,000.

The kitchen got three votes, Disneyland two, and the mortgage only one, despite it being the first goal that came to mind. This is the sort of outcome I see pretty much every time I go through this exercise with people.

Now you can say the order of priority for your objectives is:

1. *Renovate the kitchen and bathroom next year, with a budget of \$40,000.*
2. *Take a family holiday to Disneyland in two years' time when my oldest child is twelve.*
3. *Pay off my \$375,000 mortgage by the time I turn 45.*
4. *Build a nest egg to enable a comfortable retirement at age 60 on an income of at least \$75,000 per year.*

Paying off the mortgage is important, but that kitchen really needs to get done, and the kids are only going to be at an age to enjoy Disneyland for a short window. It would be great to focus on building retirement savings but, for now, normal employer contributions to super will have to suffice.

Now you not only have good-quality goals, you also have them prioritised accurately.

## **WHERE ARE YOU NOW?**

Ever decided it was time to lose some weight? Perhaps it was a New Year's resolution, or spurred by an upcoming seaside holiday. After a bit of procrastination (should you do more exercise, eat less food, or a bit of both?), the first thing you do is weigh yourself.

Why? Well, how will you know if your hard work is getting results unless you know your starting point? Most important of all, as you shed the weight, your progress provides the fuel for you to keep going.

Shortly, you'll complete the first portion of your financial autonomy action plan. Before you do that, though, it's helpful to gain clarity on where you currently sit financially.

To understand this, you need to construct your personal balance sheet and determine your net asset position. It's a simple process that will take you five to ten minutes at most. Simply fill in the numbers in the following table, or in your workbook or on a sheet of paper. Leave blank any areas that don't apply to you, and add any items that aren't listed.

<b>Assets</b>	<b>\$</b>	<b>Liabilities</b>	<b>\$</b>
Home		Mortgage	
Car(s)		Car loan(s)	
Cash in bank (including any offset accounts)		Other loans	
Investments		Credit card(s)	
Retirement savings		Tax debt	
<b>TOTAL</b>		<b>TOTAL</b>	

Here's a worked example for you.

<b>Assets</b>	<b>\$</b>	<b>Liabilities</b>	<b>\$</b>
Home	950,000	Mortgage	460,000
Cars	35,000	Car loan	12,500
Cash in bank (including offset account)	83,500	Other loans	
Investments	4,500	Credit card(s)	
		Tax debt	
<b>TOTAL</b>	1,073,000	<b>TOTAL</b>	472,500
<b>NET ASSET POSITION</b>			600,500

Monitoring your net asset position (sometimes referred to as your ‘net wealth’ or ‘net worth’) can be a very useful way to monitor progress. I calculate my family’s at least once a year.

It’s useful to have this done before you embark on your financial autonomy journey, because while your ‘why’ and your goals are essential so that you know where’s north on your compass, navigation is impossible if you don’t know where you are now. As an example, if I had the goals listed in the previous exercise, but also owed \$20,000 on a credit card, then irrespective of my desire to achieve these goals, they’d all need to be placed on hold while I focused on clearing that card.

## **PREREQUISITES**

You’ll flesh things out more when you get to the relevant chapters, but it’s appropriate at this goal-setting stage to consider whether your goals have any prerequisites. For instance, if the choice you want to gain is to do with time flexibility, self-employment may be the pathway for you. What are the prerequisites for this? Do you need a new laptop from which to run your empire, or the services of a good accountant to ensure that you pay all the taxes you’re required to? Perhaps you need to learn some new skills like online marketing? For the objectives we looked at earlier, the goal of renovating the kitchen and bathroom will require design work to be done and builders to be engaged.

These prerequisites can provide milestones for you to track, and milestones are an incredibly useful way to maintain momentum on your financial autonomy journey.

## ACTION PLAN TIME

Throughout this book, you'll work towards building your action plan: now's the time to make a start! Grab a sheet of paper and write four headings across the top (if you have downloaded the workbook, you can use that):

<b>Financial autonomy goal</b>	<b>Success is</b>	<b>Financial autonomy pathway and strategy</b>	<b>Actions I will take during the next 3 months</b>

Enter the top three goals that you identified through the prioritisation exercise in the left-most column. Next, go to the second column and complete the 'Success is' section – both long term and in three months. The three-month success points – milestones – can pick up those prerequisites you identified a few moments ago.

Overleaf is a completed plan, so you can get a feel for it. (We'll look at the 'Financial autonomy pathway and strategy' column later in the book, of course.)

## My financial autonomy action plan

Financial autonomy goal	Success is
<p>Renovate the kitchen and bathroom next year, with a budget of \$40,000.</p>	<p><b>Long term:</b> Renovation done.</p> <p><b>In 3 months' time:</b> Our offset account balance is ~\$29,000.</p>
<p>Take a family holiday to Disneyland in two years' time when my oldest child is twelve.</p>	<p><b>Long term:</b> Get to Disneyland.</p> <p><b>In 3 months' time:</b> Goal is quantified.</p>
<p>Pay off my \$375,000 mortgage by the time I turn 45.</p>	<p><b>Long term:</b> Mortgage is repaid.</p> <p><b>In 3 months' time:</b> Loan is approved and money available to invest.</p>
<p>Pay off my \$375,000 mortgage by the time I turn 45.</p>	<p><b>Long term:</b> Mortgage is repaid.</p> <p><b>In 3 months' time:</b> Loan balance is lower than it is today.</p>
<p>Build a nest egg to enable a comfortable retirement at age 60 on an income of at least \$75,000 per year.</p>	<p><b>Long term:</b> Comfortable retirement.</p> <p><b>In 3 months' time:</b> Balance growth.</p>
<p>Build a nest egg to enable a comfortable retirement at age 60 on an income of at least \$75,000 per year.</p>	<p><b>Long term:</b> A debt-free investment property to provide additional options in retirement.</p> <p><b>In 3 months' time:</b> N/A</p>

Financial autonomy pathway and strategy	Actions I will take during the next 3 months
<ul style="list-style-type: none"> <li>• Pathway – Cash-flow management.</li> <li>• Add \$1,200 per month to our offset account (current balance ~\$26,000).</li> </ul>	Set up automatic transfer from living account for \$600 each payday across to offset account.
<ul style="list-style-type: none"> <li>• Pathway – Cash-flow management.</li> <li>• Save for this once kitchen renovations are done.</li> </ul>	Determine what this trip will cost and how much we need to save each month.
<ul style="list-style-type: none"> <li>• Pathway 1 – Stocks.</li> <li>• Use equity in home to buy a \$200K Stock portfolio. Use dividends to pay down home loan. Capital growth upon sell-down to make lump sum repayment.</li> </ul>	Speak with my mortgage broker and get loan facility in place.
<ul style="list-style-type: none"> <li>• Pathway 2 – Cash flow.</li> <li>• Pay \$200 per month over required minimum.</li> <li>• Use offset accounts for all savings.</li> <li>• Pay annual bonuses and tax returns off loan as lump sum repayments.</li> </ul>	Continue with current setting.
<ul style="list-style-type: none"> <li>• Pathway 1 – Stocks (via superannuation).</li> <li>• Employer contributions only until mortgage is repaid, then maximise.</li> <li>• Use the aggressive investment option.</li> </ul>	None
<ul style="list-style-type: none"> <li>• Pathway 2 – Property.</li> <li>• In 5 years, look to use equity in our home to fund deposit on an investment property.</li> </ul>	None

Before we move onto the next chapter, let's summarise what we've covered here in 'Goal-setting with purpose':

- Be clear on your 'why'. Dig several layers deep to get to your true answer.
- Do a brain dump of all the goals you can think of.
- Consolidate these initial thoughts into several specific goals – think about the SMART acronym.
- Be sure to include your partner if you have one.
- Complete the prioritisation exercise – the initial order in which your goals flow from your brain is unlikely to reflect your true priorities.
- Complete your personal balance sheet to be clear on where you are now – your net asset position, your starting point.
- Identify any prerequisites to your goals.
- Make a start on your financial autonomy action plan.

Phew! We've covered a lot in chapter 1 – they are important foundations, though, that will set you up for success. Congratulations on your progress! Let's now move onto Part Two, 'Cash flow' – perhaps the number-one prerequisite when it comes to achieving financial autonomy.