



*Dreams cost nothing...
Implementation gets expensive.*

Take Control of Your Finances

*The only place success comes
before work is in the dictionary.*

Vince Lombardi

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www.dreamscostnothing.com

The views and opinions expressed in this essay are solely my personal views and opinions based upon my personal experiences, and do not represent the views or opinions of my employer.

Introduction

For many people financial independence is a dream that will remain but a dream.

From my experience these people make some of the following mistakes:

- They establish unrealistic dreams;
- They fail to practice discipline and patience;
- They believe managing their finances is beyond them;
- They want a quick fix;
- They blame others; and
- They give up

When it comes to managing my finances, it all seems so simple to me. Establish my dreams; take control of my personal situation; create my plans; execute them with discipline; and lastly nurture them with patience. If it is that simple, why do so many people have trouble with it? Many people want to acquire wealth but they can't seem to do it.

I asked myself why? Why have I been so blessed with this skill and others have not been?

My simple answer is that my parents taught me well. Managing my finances is part of my DNA. Others may not have been so fortunate. We can't rewrite history but we can make the decision that enough is enough and it's time to take control of our finances.

Acquiring the skills to manage your finances starts with a simple goal accompanied by a simple plan. When you practice discipline and nurture it with patience, you are on your way. By starting with something simple you will begin to learn, understand, and most importantly gain the confidence to manage your finances.

I wrote *Take Control of Your Finances* to help the reader achieve financial independence. I urge you to read it, reflect upon it, and begin the journey. Not next week; not tomorrow; but rather today.

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Chapter 1: Avoid Common Mistakes

Failure is nothing more than a few errors in judgment repeated every day.

Jim Rohn

1.1 A Lack of Confidence

The first mistake is a lack the confidence.

They feel the bar is set too high to even begin learning the basics of managing their finances. I can understand why they are in this position.

I believe most people outside our industry find the topic of managing their finances either extremely boring or very intimidating, or both. Secondly, our industry, for the most part, has made the explanation of managing your finances either extremely boring or very intimidating, or both.

Needless to say, this has caused a major problem. We have not only failed to meet the needs of the investing public; we have helped to compound the problem. You can lead a horse to water but you can't force it to drink. Our industry has failed to even get the horse to the water!

Without a basic desire to acquire the basic skills to manage their finances, it should not come as a surprise that many people run into financial difficulties.

While it is important that both parties recognize this problem, I believe people must recognize it is their responsibility and no one else's to get over these two biases. By doing so, they can begin to learn the basics of managing their finances.

When we make a choice, it requires a decision. We can either make the right or the wrong decision, recognizing no decision is usually the worst decision. When we make the right decision, it must be accompanied by a commitment. The decision requires knowledge and wisdom. The commitment requires a plan, discipline, hard work, passion, and patience.

It is no more complicated than that.

1.2 A Lack of Discipline

The second mistake is a lack of discipline.

A decision without discipline accomplishes little except frustration and disappointment. I believe there are six critical skills in life and discipline is at the top of my list. In fact, discipline is needed to fully develop the other five critical skills.

A favourite saying of mine is: "*A goal without a plan will remain but a dream.*" Our plans require discipline to accomplish our goals and achieve our dreams.

Unfortunately, many people lack the desire to practice good discipline. People want the goodies, but they are not prepared to practice the discipline necessary to obtain them. How many people have a budget and follow it? In my 40 years of experience, I have found very few people have created a budget which is the starting point for taking control of your finances.

And lastly never forget, procrastination is the arch enemy of discipline. Jim Rohn, a well-known speaker in the field of personal development believes: "*discipline is the bridge between goals and accomplishments.*" Discipline enables us to defeat procrastination.

1.3 Too Much Debt

The third mistake is too much debt.

It is our natural tendency in life to want things now rather than waiting to acquire them at a later date. To do this, we either have to win a lottery or acquire debt. I am not against using debt to acquire assets but it should be used judiciously to acquire long-term assets. It should not be used to finance current needs such as travel, clothes, and entertainment.

When one decides to buy a house and finance the majority of it with a mortgage, take the time to understand what is involved. Do not borrow to your limit — allow yourself some wiggle room. Don't ask how much the bank will lend us? Rather, ask, how much can we afford to borrow?

When you take on too much debt, it allows you to enjoy a higher standard of living today, at the expense of having a lower standard of living tomorrow.

Chapter 2: Take Control

The choices we make are ultimately our responsibility.

Eleanor Roosevelt

2.1 Make the Decision

The first step is to make the decision to accept personal responsibility for managing your finances.

This is a choice that requires a decision, accompanied by a commitment.

The commitment requires plans which are needed to accomplish your goals and achieve your dreams. I strongly suggest the plans be put in writing. This will require you to ask yourself some tough questions requiring honest answers; provide you a benchmark by which you can measure whether the plan is working; and provide a document which you can share with those involved.

Pretty simple isn't it?

2.2 Select a Trusted Advisor

The next step is to select a trusted advisor.

Once you have made the decision to accept personal responsibility for your finances, the next step is to understand what you know and more importantly what you don't know. Once you have realized what you don't know, you have three options: ignore the issue; educate yourself about the issue; or seek outside counsel regarding the issue.

Clearly the first option solves nothing and can cause big problems down the road. If you don't want to spend the time required to learn about managing your finances, I recommend selecting a trusted advisor. A trusted advisor is not the person or the organization who manages your wealth. It is someone you trust who understands wealth management, is unbiased, hopefully has some personal experience they can share with you and most importantly can be trusted to keep the information discussed confidential. Ideally it is a family member or a good friend you can trust. In my personal walk outside of work, I find it amazing how few people ask knowledgeable family members for advice. Of course, I am sensitive to the fact that many people do not want to share their finances with others, especially family members. However, there can be a cost in taking this route. I recommend you review your options carefully. Avoid, if possible, building a wall of secrecy around your money.

Seek out someone you trust.

2.3 Create a Game Plan

I have found the best way to create a game plan is to write down the following:

- Your dreams
- Your goals
- Your plans

Let's start with something simple.

Your dream will be to achieve financial independence.

Your goal will be to learn the basics of managing your finances.

Your plans will be to prepare a budget and start a savings plan.

The only thing worse than no plan, is a plan without the commitment. A lack of commitment causes you to live a life of false security and denial. Ultimately, all this accomplishes is frustration and unfulfilled dreams.

Creating the right plans is critical *"for a goal without a plan will remain but a dream"*.

Chapter 3: Begin a New Day

Success is a few simple disciplines practiced every day.

Jim Rohn

3.1 Prepare a Budget

The first step is preparing a budget.

Tongue in cheek, I say preparing a budget is like going to the gym to stay in shape — not much fun but it can help avoid big trouble down the road. Most people do not prepare a budget, and of the limited number that do, most do not have the discipline to follow it. At least they don't until the money runs out!

Most working people use their salary as their budget. As long as "*money in*" is close to "*money out*", life muddles along. I would argue that procrastination is the main reason why working people don't have a budget. Reality quickly sets in when there isn't a salary. Even then people don't want to face it. In either case, get over it. Take the time to not only sit down and prepare a budget, but discuss it with your spouse and, if need be, your family.

Let me share a good story with you.

Many years ago, I put together a budget and realized that some of our expenses should be modestly reduced.

I informed our three sons at university that their budgets would be modestly cut next term. At the same time, I reduced the monthly deposit to our joint checking account. My wife uses this account to manage some of the household expenses. Unfortunately, I did not discuss this with her. The mistake was revealed when she confronted me with it. It was maybe the right plan, but with extremely poor execution.

There is no point constructing a budget on its own. A budget must be discussed, planned, and most importantly bought into by all parties involved. I recommend you start with something simple. A budget is a dynamic process; it can be revised at any time.

3.2 Start a Savings Plan

The next step is starting a savings plan.

Here are some guidelines for establishing your “first” savings project:

- Keep it simple
- Make it achievable
- Make sure there is a sense of accomplishment
- Manage it with discipline
- Nurture it with patience

In 2009, the Canadian government introduced a program called the Tax-Free Savings Account (TFSA). Every Canadian 18 years and older can contribute annually \$7,000 to their plan. All money earned in the plan is tax free; it can also be withdrawn tax free at any time.

The TFSA is a wonderful instrument to help people learn the basics of managing their finances. It is simple to understand, to manage, provides a sense of accomplishment, and is cashable at any time.

When you save money, it allows you to have a higher standard living tomorrow, at the expense of having a lower standard of living today.

3.3 Beware of Freedom 65

Freedom 55 was a wonderful marketing campaign started many years ago by London Life. Through prudent investment in London Life investment products, an investor could happily retire at age 55. Today, it is clear that *Freedom 55* is a very unrealistic dream for most people. In fact, I remember several years ago a colleague mentioned he was working on “*Freedom 85*”. London Life should modify their marketing campaign to *Freedom 65*. Low interest rates, volatile stock markets, longer life expectancy, and higher medical costs make *Freedom 55* unattainable for most of us.

And even *Freedom 65* will be a stretch for many people, especially our children’s generation known as Generation Y. However, through proper planning, discipline, and patience, this goal can be achieved. By implementing and sticking to a prudent savings plan, you will achieve a greater degree of freedom in your financial affairs when you retire.

***Freedom 65* can be achieved, but only if you start early.**

In Closing

A journey of a thousand miles begins with one small step.

Old Chinese Proverb

The best way to learn the basics of managing your finances is to practice it. I call this approach learning on the fly. It starts with a decision followed by a commitment. With the right attitude, you will learn so much. The only place money comes ahead of work is in the dictionary. Of course, inheritance and lottery comes ahead of money in the dictionary, but you won't learn much from either of those outcomes.

Let me share a final story with you.

A friend of mine's daughter loves her café latte. Twice a day, early in the morning on the way to work and after dinner, she buys a café latte which cost about five dollars. That's ten dollars a day, five days a week. I suggested to her that she cut back to one a day and use the money saved to open a TFSA. She decided to give it a try. She made the decision. Every three months she invests the money saved, \$325, in her TFSA. Assuming a 4% tax free return, in 20 years her plan will grow to \$40,000.

My friend's daughter learned a valuable lesson in managing her finances. By making the decision and starting with something simple and manageable, she began learning how to manage her finances. She used the tools of knowledge, planning, discipline, and patience. In case we forget, we need all four. I feel if she sticks to her plan, it will ultimately lead to a: "*I can do it too*" mentality.

And remember it all started with one café latte.

Appendix A: Sample Budget

John and Jane Doe have two children (Karen and Jim) ages ten and four. They own a house with a mortgage and both parents work. John's mother looks after the children, which means there are no day care expenses.

Here is a budget I prepared for John and Jane.

	January	February	March
Revenue			
John (after-tax income)	3,500	3,500	3,500
Jane (after-tax income)	3,500	3,500	3,500
Total Revenue	7,000	7,000	7,000
Expenses			
House			
Mortgage	2,000	2,000	2,000
Cable/internet/phone	200	200	200
Heat	400	400	400
Maintenance	600	600	600
Insurance	300	300	300
Water	50	50	50
Miscellaneous	400	400	400
Car: gas/maintenance/insurace	300	300	300
Travel	600	600	600
Food	800	800	800
Life insurance	400	400	400
Total Expenses	6,050	6,050	6,050
Cashflow	950	950	950
E & OE			

About the Author



Bob Livingston has spent over 50 years on Bay Street, on both the sell-side and buy-side. In the last 20 years he has made numerous presentations on wealth management and has spoken at several conferences on the part philanthropy can play in managing your wealth. In addition to Bob's financial management experience, he has become interested in personal development. He has made numerous presentations to high school and university students, stressing the importance of wealth management and personal development.

Bob has authored numerous essays on family issues, personal development, philanthropy, and wealth management. Two common themes in his essays are the importance of developing financial responsibility in your life as well as increasing personal involvement in your community. These goals can be realized by learning the basics of wealth management and making personal development an integral part of your operating DNA. Bob uses numerous family anecdotes to illustrate his personal journey in pursuit of these two goals.

When asked why he has such a passion for personal development, Bob's answer is simple: *"It is my way of giving back to the community, it expands my comfort zone, and most importantly, I am having fun doing it."* Bob has come to realize one of his true passions in life is helping others achieve their dreams.

Bob has developed a website, [Dreams Cost Nothing](http://www.dreamscostnothing.com), where you can access his reflections on family issues, personal development, philanthropy, and wealth management. There is also resource material available regarding specific topics like organizing your financial documents and starting a personal development library.

Bob suggests that you never forget: *"Dreams cost nothing. Implementation gets expensive."*

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