A Step-by-Step Guide to Financial Planning for Canadians

HOW TO EAT AN ELEPHANT

ACHIEVING FINANCIAL SUCCESS ONE BITE AT A TIME

Frank Wiginton

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Part Three: Growing Your Finances

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Library and Archives Canada Cataloguing in Publication Data

Wiginton, Frank, 1975–

How to eat an elephant : achieving financial success one bite at a time/Frank Wiginton.

Issued also in electronic formats

ISBN 978–1–118–45973–7

1. Finance, Personal. I. Title.

HG179.W528 2012 332.024 C2012-906038-0

9781118459805 (ebk); 9781118459799 (ebk); 9781118459782 (ebk)

Production Credits

Managing Editor: Alison Maclean

Executive Editor: Karen Milner

Production Editor: Pauline Ricablanca

Cover Design: Adrian So

To my wife Diane, for believing in me before there was something to believe in. Without your love an support, none of this would be possible.

Acknowledgements

This book and its online tools would not have been possible without substantial help and support fro many people. A very special thank you to my wife and project manager, Diane. Without her expertise this project may have taken years, if not decades, to complete. To my parents who always encourage me to try, even if the task was difficult, and for instilling in me the values of wanting to help othe and contribute to society. To my friends at TriDelta Financial who have provided guidance ar encouragement on many facets of this book and its tools.

How to Use this Guide

THIS BOOK WAS WRITTEN AS a guide to take you through a step-by-step process to get you finances in order. Each chapter can be read on its own but you may find it easier to follow (an achieve greater success) by following the book in sequence, from Chapter 1 to 12.

If you spend just four hours of one day each month reading the chapter and doing the exercis online, you will have the majority of your personal finances in order in one year.

If personal finance is not really your favourite topic, you are in luck! This guide is designed to tal you through the process in small, manageable, bite-sized pieces to help you ensure success. Follo these simple steps to get all your personal finances in order:

Step One: Read one chapter each month.

Step Two: Make notes in a journal or write in the book itself as you read each chapter.

Step Three: Log into the website at www.howtoeatanelephant.ca and complete the exercises fo that chapter.

Step Four: Once you have completed the exercises, download your report.

Step Five: Schedule time next month to complete the next chapter.

Step Six: Reward yourself for accomplishing that month's work!

Once you've completed all 12 chapters and all the exercises online, download a copy of yo summary financial report and spend some time reviewing it.

Many events and changes can happen in a year, so you may need to go back and review some of th tools and exercises to update them with the latest information. You may wish to repeat this enti process every couple of years or following a major life change. Take a copy of your summary report a certified financial planner who will help you prepare a comprehensive financial plan. The documents are required and can save the planner a lot of time and you a lot of money.

This first step will be the beginning of an important partnership that will help you develop solutio and ideas to increase your overall wealth, reduce your financial risk, reduce your taxation, a ultimately provide you with a better quality of life!

Introduction

How do you eat an elephant? One bite at a time!

MANY TIMES IN LIFE WE are faced with a task we don't like, or a task that is difficult to manag because of its size. By learning what needs to be done and then doing it in small, bite-sized pieces, v can complete these tasks successfully and reach our goals.

People make financial planning and management out to be a huge task. They tend to get discourag and quickly feel overwhelmed. Unfortunately, they believe they don't have the confidence, knowledg and ability to do it. They have less and less trust in those giving advice because of the constant sal pitches and a lack of real, unbiased advice from so-called “advisors.”

For many years now, when clients have approached me to prepare a financial plan, I have aske them to pull together a variety of documents in order to prepare a comprehensive financial plan. The documents give me important information about their financial situation and what they would like achieve. Clients often feel that the amount of work they need to do and the quantity of informatio they need to pull together are overwhelming!

To help them overcome this fear and stress, about 10 years ago I started breaking down th information needed from my clients into much smaller, more manageable, bite-sized pieces. Whe they came to me and said, “Oh my goodness! That seems like a lot of work!” I would ask them to c one exercise and return that information to me. When I got that back, I would then give them the ne exercise to do and ask them to return that to me. Over time, and after a series of exercises, I wou eventually accumulate the necessary information to prepare their comprehensive financial plan.

As I work with people and help them with their personal finances, I find that many of them do have the most basic aspects of their personal finances in order. The number of misconceptions a misunderstandings about some of the fundamental tools and resources, including products, continu to surprise me. But now this book will finally give you, the reader, the information and tools to do on your own, or at the very least to learn how to get organized and find someone to help you. I hav provided step-by-step instructions in plain language with stories about others who have achiev financial and personal milestones, and most importantly, unbiased, independent advice that you ca trust, with no sales pitch!

This book and its website (www.howtoeatanelephant.ca>) will take you through a series of simp exercises that will get your finances in order and set you on the path to financial success! The on commitment required of you is to spend four hours or less—one day each month—reading a chapt and doing the exercises online. This adds up to approximately 0.5% of your time each month achieve financial peace of mind, success, and a better quality of life.

As you complete each chapter, a new exercise with instructions, tips and tricks, and addition guidance from me will help to ensure your success. By the end of the book, I hope you will fe empowered, more knowledgeable, and secure in the fact that you have all your finances in order. M hope is that by making it easy to get the fundamentals of your personal finances in order, you will b able to reduce your anxiety and stress levels about personal finances. My only question to you is:

Are you ready for a better quality of life?

Part One

Understanding Your Finances

Laying the Foundation for Financial Success

Chapter 1

Setting and Achieving Goals

The greatest danger for most of us lies not in setting our aim too high and falling short; but in setting our aim too low, and achieving our mark.

—Michelange

IF YOU ASKED MOST PEOPLE if they had goals, almost everyone would say they did. So the re question becomes, why is it that most people don't work toward achieving their goals? The ma reason is that their goals aren't in front of them on a daily basis. Another reason is that when they s their goals, they don't do so properly. For example, someone might tell you something like, “I want go to Hawaii.” Although this is a goal, it is not set up properly to be met with success. Let's look what needs to be done to increase the likelihood that goals will be met.

One Frank Thought

You may be wondering why a personal finance book has goal-setting as the subject of the first chapter. The reason is to help you identify the things that are most important to you so that, when you are making financial decisions later on, your focus and priorities will be on these goals.

Write It Down

The first step, and the biggest, is to write them down. Studies have shown that those who not on make goals but also write them down dramatically increase their chance of success in achieving the goals.

Define It

The second step in setting a goal is to ensure that you have defined all of the components of a goa You likely have heard the acronym “SMART,” which stands for Specific, Measurable, Attainable Realistic, and Timely. So, the SMART version of the goal mentioned above would look like this: want to take the family to Hawaii for three weeks, at a cost of $8,000, in two years' time.

You could even take it a step further and say: I want to go to the islands of Kauai, Oahu, and Mau for one week each. It will cost me a total of $8,000. I will need to save $333 a month, and I will b there from February 7 to February 28, 2015.

Specific: Trip to Hawaii for three weeks.

Measurable: Cost is $8,000; time to attain goal is two years.

Attainable: I can save $333 a month; I will have accumulated vacation time; I have no issues wit flying or travelling to the United States.

Realistic: I can afford it.

Timely: Two years to plan and execute is sufficient.

So now you can see the difference between just having a goal in your head and having a goal that SMART. It's now easy to understand that, when a goal is defined properly, the probability of achievi it goes up tremendously.

Setting Your Goals and Yourself Up for Success

First, I want you to daydream about all the goals you want to attain and the things you want to do. don't want you to have any restrictions on what goals you set. I want you to dream big! I want you think about all the different areas of your life and the goals you want to achieve. I want you to comfortable and not put any restrictions on yourself, because anything is possible: you just have figure out how to achieve it. So, the first step when setting goals is to *dream big!*

Start by making a list of 50 things you want to do right now. Don't worry about making the specific, measurable, attainable, realistic, or time-specific at this stage. I just want you to dream a write! Your list might look something like this:

- Take a trip to Hawaii
- Buy a new car
- Ask for a raise
- Start a blog
- Spend more time with my family
- Go to the gym at least once a week
- Take my lunch to work every day
- Donate some of my time to my favourite charity
- Get my personal financial situation in order
- Read two books a month
- Get my will done
- Learn to speak Spanish
- Get my master's degree
- Help my children buy a house
- Learn to scuba dive
- . . .

Continue writing down goals. Write as many as you can. Get to 50? Great! If you write down 1 goals, that's even better!

Think about what you want to have, what you want to be, what you want to do, what you want to se and with whom. What are you passionate about? What do you want to learn? Ask yourself questio such as: Why do I do what I do? What is my life mission? What is the legacy I want to leave? Wri down all the different things you want to accomplish. Think about what you want for your family, f yourself, for your health, for your wealth, and for your overall wellness (nutrition, fitness, ment health, and career). Think about self-improvement. Think about spirituality. Think about your care Think about your favourite charity. Don't put any restrictions on where your thoughts take you.

Once you have your list (and you can always add to it later), you need to start organizing it. T

easiest way to do this is to start by identifying the time frame during which you want to accomplis
your goals. Give each goal a specific time frame. It could be within the next month, the next year, o
the next five, 10, 15, 20, or 25 years. Write down the period within which you want to accomplish eac
of your goals.

Your list now might look like this:

- Take a trip to Hawaii—2 years
- Buy a new car—4 years
- Ask for a raise—2 weeks
- Start a blog—2 months
- Spend more time with my family—daily
- Go to the gym at least once a week—weekly
- Take my lunch to work—daily
- Donate some of my time to my favourite charity—monthly
- Get my personal financial situation in order once and for all—1 year

Now you are ready to organize your goals in the order of their time frame.

What Is the Financial Cost to Accomplish Your Goals?

The next step is to figure out what the cost is to achieve these goals. This may require a little bit
research on your part to learn and understand what steps are involved. For example, it's easy to sa
that you want to go to Hawaii in two years' time, but without understanding what's involved and ho
much it costs, it's going to be difficult to know what you need to do to achieve your goal. Therefor
you may want to speak with a travel agent or spend some time online researching how much such
trip costs. Your time frame and cost estimate might look like this:

- Take a trip to Hawaii—2 years = $8,000
- Buy a new car—4 years = $40,000
- Ask for a raise—2 weeks = $5,200 a year
- Start a blog—2 months = $50 + time
- Spend more time with my family—daily = $0 + time
- Go to the gym at least once a week—weekly = $55
- Take my lunch to work—daily = $0 + time
- Donate some of my time to my favourite charity—monthly = $0 + time
- Get my personal financial situation in order once and for all—1 year = $ variable + time

One Frank Thought

Before you can truly say whether a goal is realistic financially, you need to better understand
your financial situation. Keep working through the chapters and exercises in this book, and I
promise you will know what is and isn't possible.

Identify What You Need to Succeed

Next you need to identify the major things that need to happen to accomplish each goal. At the sam time, it would also be a good idea to try to foresee what obstacles might prevent you from achievin these goals.

Going back to the Hawaii example, if you are not a U.S. citizen, you will need to ensure yo passport is up-to-date (or maybe even get a passport).You may want to research the best time of yea to travel there and check with your boss that you can get the time off. So, let's look at the Hawaii go all together:

Specific: trip to Hawaii

Measurable: for three weeks

Attainable: up-to-date passport, time off work

Realistic: do we have the time and money? Yes or no

Timely: in two years' time

By now you can see that building a list of goals and writing it down can go a long way towa making your goals become a reality.

Review Your List Regularly

Be sure to keep this list in a handy place where you can review it on a daily or weekly basis. Keepin your goals top of mind helps to motivate you to work toward them continually. Maybe you will kee your list in a journal that you write in each day. Then you could keep it on your nightstand to read ov every night or first thing in the morning. Maybe you will stick your list to the fridge door or on th wall beside your desk. One colleague of mine has his as the desktop image on his computer! Wherev you keep it, be sure to update it and add to it on a regular basis.

Share Your Goals with Others

There are three main reasons to do this. First, when you share your goals with family members an friends, the goals become more real. What I mean by this is that you become more accountab because other people now expect you to work toward and accomplish them. The next time you se those people, they may ask what you have learned about your goal. For example, they might as "Have you decided which islands in Hawaii you are going to visit?" This kind of communi accountability helps you to achieve your goals!

Second, by sharing your goals with others, you can learn from their experience. Many people like share their thoughts and experiences and offer opinions on how best to achieve goals. Sometimes th can be a deterrent, but many times it can be enlightening and encouraging.

Third, for the most part, when you share your goals with others, they will do one of two things: the will either get on board to help you achieve them or get out of your way. It is highly unlikely th someone will actually try to prevent you from achieving one of your goals. People have their ow goals and are too busy to stand in your way. When you share your goals, people may offer useful tip saying, for example, "Oh, you know who you should talk to?" or "I learned to scuba dive with th company and had a great experience! Call them and talk to Jason. He was wonderful!”

Next thing you know, you are well on your way to accomplishing your goal!

Anna

As part of her New Year's resolution, Anna decided that she was finally going to lose the weight that she had been trying to take off for years. She had tried many strategies in the past; the latest trendy diets, listening to her friends, taking advice from her family, and working with a trainer at three of the mass-market gyms. Although she did see some results, they tended to be minor and never really lasted.

Anna admitted to herself that the lack of results was in part due to her behaviour, but she felt that it was also due to the people from whom she was getting help. In some cases she walked away because she felt the person was more interested in selling her additional products and services than in helping her to lose weight. Anna made the decision to find an independent trainer who only dealt in fitness and nutrition. It is very important to reach out to people who can help us achieve our goals. After researching online, interviewing three different candidates, and contacting referrals from two of them, she was excited to start working with her new personal trainer, Ken.

In their first meeting, Ken asked a lot of questions about Anna's schedule, weight-loss history, and the goal she had. She replied that she wanted to lose weight, increase her energy, and increase her confidence. Ken recommended that she write her goal down. Following the SMART methodology, he helped her to make her weight-loss goal more specific and, therefore, more achievable.

On or before December 31, I want to celebrate having taken control of my health after losing 100 pounds (45 kg) to achieve my goal weight of 140 pounds (63.5 kg). Since it was early February, she felt that this was a realistic goal. However, Ken recommended that Anna cut her goal in half to make it more attainable and realistic. Now it was time for her to step up.

If Anna wanted to keep the weight off, Ken said, she would need to create habits that would be with her for the rest of her life (instead of crash-dieting and then rebounding). Anna could see how she had done the latter many times in the past and agreed to try a “slow and steady” approach. Ken helped her draw up a daily schedule. Anna was sure she would never have made such a detailed plan without his help. Now she could see how positive daily habits and having a plan would lead to long-term success.

The first few weeks of exercise were difficult, but Anna persisted, and the weight started to come off. Then, about two months into the program, she twisted her ankle when she was walking to work. Her first thought was, “Now I won't be able to workout!” She called Ken to cancel. He patiently explained that this was a very common occurrence and they would work through it together. An accident that could have derailed her fitness plan became nothing more than a minor obstacle.

He assured her that he would be there to help keep Anna on track during the inevitable setbacks. Anna had never been taught a system that dealt with setbacks and was happy to hear that her job was to “climb back on the horse” as quickly as possible.

At her monthly weigh-in, Anna found that she had met her goals and could now treat herself to the reward of a new workout outfit—in a smaller size. On her trainer's recommendation, she started to see a nutritionist who taught her to make healthier choices at the grocery store and when she was hungry.

At her September evaluation, Ken congratulated her on a tremendous life change. Her weight was down 35 pounds (16 kg), and, more importantly, Anna had been working out steadily for eight months and had developed some powerful, healthy habits. She had better posture, more energy and self-confidence, and fit into clothes that were three sizes smaller! With the help of her support network, Anna took it one day at a time and made it through the holidays without gaining the usual 10 pounds (4.5 kg). Thrilled, she celebrated New Year's Eve with her friends having lost 46 pounds (21 kg).

Anna succeeded in reaching her weight-loss goal by writing it down, developing an action plan, and finding a support team. The goal gave her the focus she needed to invest in herself, ask for support, and overcome the inevitable obstacles. Anna took her new knowledge and confidence and set some additional weight-loss goals for the next year—keeping them SMART and knowing that she would be able to meet the challenges.

Don and Cindy

Don and Cindy, a couple in their early thirties, had decided it was time to start a family. Both had secure jobs and earned a good living, but they were anxious about their current financial situation and the effect having a child would have on their day-to-day living and financial decisions. In July 2010 they attended one of my financial-planning seminars and, afterward, set up an appointment with me to go over their situation. We evaluated the different goals they had with respect to their finances and their soon-to-be-growing family.

When we looked at their credit card and consumer debt, I knew it was time for a reality check. Cindy had used a student line of credit to help put herself through law school, and Don had student loans as well. Although they had paid the debts down since graduation, they were still sizeable. Not only did Don and Cindy have student debt, but they each had two credit cards that were very close to their limits, as well as loans for their two luxury cars. Their debt came to a total of $120,000, $30,000 of which was on high-interest credit cards.

Even worse, they had no system to keep track of all the bills that came into the house and, as a result, were often late with their payments. When I pulled their credit reports, I saw credit scores that were lower than recommended. I explained that with better credit scores, they would be able to qualify for a better mortgage rate.

It was obvious to me that they were living on credit and that an unexpected “rainy day” would drive them into financial hardship. Certainly, the addition of a baby would bury them unless they developed better spending habits and a system to take control of their finances. When I laid it all out in front of them, they knew it was serious and asked what they could do. I introduced them to creating SMART goals, and this was their first one:

> By June 30, 2012, we will have reduced our credit card debt to zero and our overall debt load to $50,000.

This met all of the SMART goal criteria because:

- It was **specific** and **measurable** with dollar figures and a deadline.
- It was **attainable** and **realistic** given their incomes and determination.
- It was **timely** because it had a definite due date.

From this overall SMART goal, we were able to create several smaller, monthly goals that would get them to their target. The money they saved during that first month, and in the months that followed, was put directly toward reducing their credit card debt. That first month's goal looked like this: By January 31, 2011, we will eat dinner at home eight times (this month) with food that we prepare ourselves.

As a young corporate lawyer, Cindy was rarely home before nine, and they almost always ate out—a habit that can lead to financial and health issues. Don was able to rediscover his love of cooking because he could focus on making just eight meals a month; the next month they increased the total to 12 meals. They began to take lunch with them to work to save even more money, and each week they reviewed their progress and planned accordingly with the help of their specific goals.

If they had tried to do everything in that first couple of months, they would have set themselves up for failure: proceeding slowly, specifically, and steadily was the key. Don and Cindy were amazed at how much less they were spending with just a few small tweaks to those habits that had had such a direct effect on their financial-planning goals.

Over the next year, they exchanged their luxury cars for a mid-sized sedan, which reduced their monthly payments significantly. They also rose to the challenge and began to examine each purchase they made with a critical eye, no matter how small it seemed. When I pointed out to Dan that his daily cappuccino cost him $1,000 per year, they purchased a cappuccino maker so that Dan could get his caffeine fix at home and put more money toward reducing their debt.

I was relieved to see how well they were doing with taking charge of their debt reduction. Although each change they made was small in itself, the total impact on their spending was huge. As a reward for their hard work, they looked through the real estate listings in their areas of interest. And although Cindy's heart belonged downtown, they knew it made more financial sense to live a bit further away, where their money would buy more house for a growing family. Thanks to great public transit routes, downtown would still be easily accessible.

Although their goal was to pay off their credit card debt by the end of June 2012, they had succeeded in paying off their cards by the end of 2011! The rest of their debt was down by more than 50% by the original deadline.

These improvements to their finances, plus the systems we put in place overall, meant that their credit scores had come up to very good levels. Don and Cindy had learned that specific financial habits were the key to their future success. Importantly, their plan now included a safety net for their new family.

In July 2012, Don and Cindy found a great home for a great price and used part of their savings for a down payment. In September 2012, they became the proud new parents of Cynthia, a beautiful, healthy girl. We still have regular meetings to ensure that they are on track, but the stress that was caused by their finances has now been replaced by the stress of being new parents—a great trade as far as they're concerned.

Chapter Summary

- Dream big and make a list of 50–100 goals you want to achieve.
- Identify when you want to achieve your goals.
- Organize your goals chronologically.
- Do some work to learn the financial implications of those goals.
- While researching your goals, identify any obstacles that need to be addressed for you to achieve them.

How To Eat An Elephant.ca—Web Tools

Goal-Setting Tool

Now that you have an understanding of how to write down your goals, it is time to build your list. Start by logging into www.howtoeatanelephant.ca and fill in your profile. When you have completed your profile, you will arrive at the menu page.

Take a minute to read the welcome message and watch the video. When you are ready, click on the **Goal-Setting Tool**. Here you will see the five steps to go through to set up your goals properly as outlined in this chapter. So let's get started!

STEP ONE: Enter a goal in the box provided and click on the **Add** button. Keep repeating this process until you've entered as many goals as you can think of that you wish to achieve. Click on the **Save** button to ensure that they are saved. You always have the option of editing or deleting a goal. Once you are finished entering your goals, click on the **Add Timeline** button.

STEP TWO: Go through each of your goals and enter the timeframe in which you wish to achieve your goals. For example, you may wish to buy a new car in four months. Beside your goal of buying a new car, enter the number "four," and select **Months** from the drop-down list. Do this for each goal and when you are finished click on **Rank My Goals**. You will have the option of ranking your goals alphabetically, by their time frame, cost, or amounts saved.

STEP THREE: Now go back through all your goals, entering how much it will cost to achieve each of them and how much you currently have saved. If you have one large savings account for all your goals, you will need to decide how much to allocate to each of them. If there is no financial cost to your goal (for example, one might be to make your lunch every day) simply enter "$0" as the cost and the amount currently saved. Once you've done this for all the goals, click on the **Save** button and then click on the **Enter Obstacles** button.

STEP FOUR: This is an optional step where you have the opportunity to list any foreseeable obstacles to achieving each of your goals. If you press the **Add an Obstacle** button beside each goal, a field will appear in which you can enter the obstacle. When you are finished, simply click on the **Save** button and then click on the **Get Report** button.

STEP FIVE: Here you are presented with your report, which you can download and print as a PDF document.

I encourage you to spend some time working with this tool to ensure that you have all of your goals listed. Come back and visit this tool often to update and change your goals as needed. Keep a copy of your goals in a place where you can review them on a daily or weekly basis. Be sure to share a copy of these goals with the people who are important to you, to help keep you accountable for achieving them.

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