

PERSONAL FINANCE
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How to reset your finances without panic

IF you have been working for a while now, it is important to pause and ask yourself a question. Are you simply busy with your money or are you strategic with it? For most professionals, life is busy. Meetings, bills, tuition deadlines and school runs, travel, projects characterise our lives. We work hard, earn, have mobile money transactions to track, rent or mortgage obligations to honour, commercial loans to service and a family whose needs must be catered for between paydays. We try to ensure that there is enough money to cover the month. On the surface, there is a lot of activity.

Typically, most of this activity feels like personal financial management. In reality, much of it is financial maintenance. The difference between the two is what most busy professionals do not stop long enough to examine. As it is, there is activity in our lives but no strategy or direction.

For a person who has worked hard for a while, if you are asked a simple question, "What is your financial position in five or 10 years?" What would be your answer? If it is vague and you hope to be stable, please be reminded that hope is not a strategy. If you keep running while you respond to what is happening now, you will not have time to plan strategically to build assets for the future.

Your shift from being busy to being strategic should begin with clarity. For starters, get a simple personal financial dashboard. Do not complicate your life, just draft a one-page summary that shows your income, core expenses, debt position, savings and investments. When this figure sits in one place, you stop the guesswork. It is easier to notice the money leaks or whether your savings are growing or not. If you are busy but also tracking and working on growing these important numbers (assets), then you are productive. The challenge with professionals is we believe we know the numbers. But a dashboard is crucial because it tells you whether your lifestyle is expanding faster than your wealth.

The next shift you need to move towards is tracking your net worth. This is when you subtract what you owe from what you own and get your current net worth. If you cannot answer that question regarding your net worth, within a reasonable range, then your financial life is being managed by momentum rather than intention.

Most importantly, when you track your net worth, you tend to think differently. You stop celebrating purchases that reduce your position. With this figure in mind, you have a mindset shift which questions whether each decision strengthens or weakens your long-term standing. Tracking also helps motivate you especially when you record growth, even when it is gradual. Do not get me wrong. Talking about what you are ignoring is not judging anyone. I am only pointing out how most professionals get to their 40s or 50s, having worked extremely hard for 15 or 20 years and are surprised by their financial position.

Another important issue that professionals keep postponing is the retirement conversation. In this instance, your busyness hides your vulnerability. You will probably contribute to a pension scheme and other work schemes and assume that they are sufficient. But given the changing environment, you need to revisit your numbers today. For example, do you know for a fact what kind of income you need later in life. You need to estimate the lifestyle you desire in your evening years. This involves calculating the gap between your pension income and your desired monthly expenses. This figure is then used to design investment strategies that will work for you.

Professionals should acquire the discipline of thinking over a longer horizon. During a money discussion recently, a friend gasped when I suggested they consider a fixed income asset with a 10-year tenure. That is when I realised that for some of us thinking 10 years ahead regarding investing is not a naturally comfortable exercise. And we should not judge because the immediate demands of professional and family life make the present feel urgent while the future is a horizon.

Any professional serious about financial stability must be strategic by calculating net worth, knowing retirement needs, seeking financial knowledge and gaining confidence about which investment options will build money stability. Otherwise, you will remain busy but not growing your net worth.