



Cash Control

Not how much you make; how much you save

BY DAVID SHUBS

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We saw it in personal and corporate finances during the financial crisis in 2008 and 2009. It has been headline news for over a year with Greece, Italy, Ireland, Portugal and Spain, conjuring up images of unrest and economic uncertainty. The U.S. government has had a very public spat about their ability to pay their bills. All of these issues are symptomatic of the same underlying cause: namely financial irresponsibility.

Generally speaking, governments are limited in revenue to what they are capable of taxing from businesses and individuals. Individuals' income is limited to their monthly paycheques. Businesses' revenues are based upon the amount of goods and services they can sell. Salaries are not guaranteed. Consumer preferences can and often do change, which leaves business

revenues unstable. Taxes are based on the above, so they are volatile too.

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David Chilton, author of *The Wealthy Barber* recommended the envelope system. Specifically, that means put-

ing 10 percent of your income into a savings account immediately. Pay yourself first and then live off the rest. This is very similar to the information our industry insiders offered up in the past Winter edition of this magazine. Their strategy was to ensure that you had enough cash to pay your bills and to maintain a cash reserve for economic and business downturns.

This is the discipline that we were taught as children. The opportunity lies in being one of the good savers and having the funds available to take advantage of the missed opportunities by the spenders. When the spenders' excessive financial risk-taking pushes them to the brink, this screams opportunity for the patient investor/business.

Being financially responsible allows an individual, business or government to act from a position of strength versus a place of need. Master chess players will say that while it is the last mistake that conquered you, it was the early mistakes that ensured defeat. Learn from the mistakes of others and put yourself and your business in a position of power. We just lived through the mistakes of the financial crisis, let's not be doomed to repeat it. **OHB**