

The Wealth Clinic 5 STEPS TO FINANCIAL FREEDOM

In his first article for Finance Monthly, Rodney Peyton OBE MD covered the 5 fundamental strategies for the development and maintenance of passive income streams.

By profession, he is a trauma surgeon and has been recognised as the world's #1 surgical coach. He is also an international keynote speaker, businessman and entrepreneur with investments on three continents.

We had the pleasure to connect with him again to hear about his Wealth Clinic approach for the real-life practical application of those principles, sharing his five-step model for coaching and mentoring.

Rodney Peyton OBE MD
www.wealthclinic.com

When speaking at a recent business conference in Orlando, I was exploring with the audience their concerns about financial security. One answer, in particular, summed it up for many of those present. A lawyer stated he felt “like a hamster on a wheel”. He reflected he was doing very well financially provided he kept going, but if he were to retire, or even slow down, he would not be able to maintain his lifestyle.

Many professionals study hard and work hard to achieve their professional goals, but really have no education about financial matters, leaving their future financial security to chance or to “professional” financial advisers. Often such advisers have no independent wealth and are employees or franchisees of large corporations whose goal is to make money from commission. Being financially astute is not only important for you and your family but it is also essential that you educate the next generation in matters of finance.

In a previous article for Finance Monthly (published in June 2020), I discussed the five fundamental strategies for achieving financial success through passive income, which could be summed up as generating “Multiple Streams of Cash, Protected by Active Review”. This piece considers how to operationalise that strategic plan based on the Wealth Clinic model. It looks at an operational system which follows the same path a physician would use with a new patient to bridge the gap between the present reality and future financial freedom.

- This basic system has five steps:
- History taking
 - Investigations
 - Assessment and diagnosis
 - Treatment plan
 - Follow up

A system is the key to success, remembering that SYSTEM stands for Save Your Self Time Energy and

Money. Regardless of how we arrived at our current financial situation, or at what stage of life, the opportunity exists to evaluate the reality, make adjustments to the underlying factors, come up with a financial treatment plan and implement it, with regular check-ups to ensure we stay on track.

1- History Taking

Dis-ease is the most powerful driver for a brighter future. The first step, therefore, is to recognise there is a problem and identify the nature of the dissatisfaction. What is it that you want, how far are you falling short and since when has this been an issue?

All advancement comes from those who are dissatisfied with the status quo, not because they perceive something is badly wrong, but because they understand there is no such thing as perfection and so, in any context, they continually search for a faster, better and more efficient way going forward. The Apollo space mission was a marvel of its time, then there was the space shuttle and now Space-X, which makes the computing on the Apollo mission look like a child’s toy. Unfortunately, after the successful moon landing, there was no ongoing drive, vision, or purpose at government level in the USA for the future of space exploration and therefore advancements in space travel ceased.

Similarly, in financial matters, satisfaction with, or at least acceptance of, the present situation leads to the stagnation of complacency. This cannot last for any prolonged length of time as, in this world, things are either growing and expanding or contracting and dying. If income and investments do not grow, inflationary pressures alone will diminish the buying power.

What is your attitude towards money? Of itself, money is neither good nor bad, but it does represent energy and power. Money is like a

battery, which if placed in a hearing aid is constructive, whereas when placed in a bomb, it is destructive. The accumulation of money is, therefore, the development of potential energy. Above all, money allows you the freedom to make choices.

Your aims in life are unique to you and therefore your future financial plan requires individualistic goal setting and starts within a holistic approach, beginning with careful consideration of what constitutes for you a well-rounded, wealthy life, spanning health, relationships, career, business, growth and contribution as well as finance and lifestyle. It comes down to the lifestyle you desire and the required level of financial independence to fund that lifestyle. Success is never accidental which is why you must be clear on the required outcomes, purpose, and strategies.

There is a great metaphor for wealth generation from Alice in Wonderland. When Alice asked the cat which way she ought to go and indicated she did not really care where she ended up, the cat replied: “Then it doesn’t matter which way you go”. Alice then said: “So long as I get somewhere” and the cat replied: “Oh you are sure to do that, if only you walk long enough”.

To achieve success in anything, including financial independence, you must be on purpose. Your “why” allows you to focus on what is most important, as goals must be compelling and inspiring, much more than a desire but a need.

So, get clear about what financial independence really mean to you and those closest to you. Is it the freedom to help your family and support your children, for example through their education? Is it the freedom to make decisions about the lifestyle you want? Do you want time out to learn, teach or volunteer? Do you want money to help good causes? Whatever the meaning, goals have got to be clear both physically and emotionally so

there is an internal drive. The quality of life is the quality of the emotions it generates.

It is therefore essential to determine the “why?”, the vision and purpose. This requires dedicated time put aside to concentrate on setting goals for the future and getting crystal clear on the reasons why those goals are important. Next, plot all the goal categories 20 years into the future and clarify your personal definition of success in each. Commit, in writing, why these goals are vital for you, so they become not just a vision but a purpose.

Ensure your goals are “SMARTER”. They must be very specific and measurable; not just “I want a lot of money”, but exactly how much you will need to achieve your definition of ‘successful’. They must be achievable, even if this means a lot of small steps, but not too easy because, without a stretch, there can be no sense of satisfaction. They must be relevant in the context of what you wish to achieve. The initial “20 years” gives the timeframe and, to be worthwhile, they have got to be ecological, better for yourself, those close to you and the community at large, or at least not causing harm. The R stands for review, reflect and report which is part of the follow-up.

- S - specific
- M - measurable
- A - achievable
- R - relevant
- T - timeframe
- E - ecological
- R - review, reflect and report

Now cost each category, allowing for inflation over the 20 years, and that will give rise to a figure for your achievement, better known as financial freedom. That figure becomes your overall financial goal.

2 - Investigation

This is the time for a brutally honest reality check. You are now clear of what you want to achieve financially

and why it is important. So, what is the present situation and where are you now? Look at all expenses over a month, clearly classifying those that are non-discretionary, such as mortgages, groceries, utilities, insurance, education, and health-related expenses. Annual and quarterly expenses need to be divided into monthly accruals. Then consider discretionary expenses such as new cars, eating out, clothing, holidays, and hobbies. Calculate income streams from salary, pension, a portfolio or other passive income streams, such as real estate, bonds and shares, noting which are the least liable for taxation.

What is the difference between the present reality and the income necessary to achieve your goals? How would that gap be influenced, for instance, if you decided to retire, reduce your working hours, had an unexpected increase in expenses or if for some reason you had to stop work?

Often, we need to get leverage on ourselves to bring about change. This is a matter of linking pain to the present situation and pleasure in the future if we take action to transform our circumstances

There are four important “pain/pleasure” questions:

- a. What will happen if a goal is achieved?
- b. What will not happen if a goal is achieved?
- c. What will happen if the goal is not achieved?
- d. What will not happen if the goal is not achieved?

Answers to these questions are necessary to get clear on pain and pleasure linked to the eventual outcome. One of the strongest drivers is the avoidance of pain so consider what would happen if

nothing were to change over the next six months, one year, five years. We tend to work hard to move away from pain, like moving away from a fire, but only until the situation becomes comfortable although, initially, this may be necessary to kick start the process. However, to continue to the end requires a clear reason for the goals and the more emotional this is, the bigger the draw towards completion.

If the overall goal is a big step from present reality, it needs to be broken up into bite-size chunks, or objectives, which can be more easily achieved. This helps to generate momentum, building on each small success.

Often, one of the biggest drawbacks to achieving financial success is our own mindset and underlying belief systems, many of which derive from our parents and other role models. In the past, traditional advice was to get a good education, find a good job (which many have found means Just Over Broke) with a guaranteed pension that would allow for a comfortable standard of living after retirement. The reality nowadays is somewhat different. Pensions are often inadequate to fund and maintain the lifestyle they desire, becoming less valuable over time due to inflationary pressures and are rarely able to keep up with the continually rising standard and cost of living. It is estimated that 50% of over 50-year olds in the UK have limited disposable income and that there is an ongoing gender imbalance, with the situation being worse for women. Only the top 1% are deemed to be fully financially independent. Therefore, at this stage, it is vital to be clear about the present financial reality and the gap between this and future ambitions.

3 - Assessment and Diagnosis

What is the root cause of our disease? We need to reflect on what happened in the past and why we have not achieved the level of success to which we aspire. We must get clear on what has prevented us from moving forward. Is it within ourselves – is it procrastination, mindset issues, feelings of being unworthy or that we are unable, is it because of age or education, to drive forward? Or do we blame the outside environment, the government, the company or someone else? At the end of the day, the root cause for our current circumstances usually comes down to mindset. If we change how we think, it influences our actions and hence our results.

We need to stop blaming ourselves or others and instead take back control, be clear on the facts and then prepare to move forward. Do we feel we have lost influence or freedom, balance in lifestyle, remembering that our thoughts give rise to words which lead to emotion and meaning? The pain of the present situation may be real, but suffering is always a choice. Some things we do not have direct control or influence over, but if we learn to consider them unemotionally, we are better able to see the way forward and therefore spend energy on what we can control.

4 - Treatment

As with any physical health challenge, once the diagnosis is clear, everyone must participate in their own recovery. The treatment plan has to be agreed and then followed. Just as negotiating geography requires a map, negotiating financial geography requires a different form of MAP - a Massive Action Plan. You must focus on the objective, remembering that focus stands for "Focus on Course Until Successful", and take action. This is the time to have a good mentor, someone who has been there before and can act as a beacon to guide you on your path. It is said that a wise man learns from his own

mistakes, but a genius learns from the mistakes of others. It is always best to follow a path previously trod as success leaves clues and this is the quickest way to formulate a workable plan to achieve the goal.

As in any treatment regime, there must be a commitment to achieve each small financial objective along the road. Consider any likely risks in advance and how they can be mitigated. What other resources are needed and how is the overall project to be integrated? Again, use an understanding of how others did it and translate that information with the help of your mentors and coaches into your own context. Integrate the learnings within your own lifestyle and use them to make informed decisions for the future. What sources of income have you got access to? How can you increase your income, decrease your expenses and use any additional savings wisely to fund passive income streams (as discussed in my previous article)? The secret is to save money and put it to work as efficiently and effectively as possible. This requires a combination of strong mindset, planning and determination to follow through.

Never seek financial advice from those less financially secure than yourself and choose your advisers wisely. What is the point in asking friends, family or peers, and even financial advisers, who are not successful investors? Keep questioning and listen carefully to answers in order to understand. Always be sceptical of advice, but not cynical, and make up your own mind.

A portfolio is not an end in itself. The object is to create multiple streams of income in a working portfolio of assets and investments, sufficient to develop the desired level of passive wealth. Each asset must have its purpose, for instance, property may be purchased to be enjoyed or to produce income and you need to be

clear which is which as you put your plans into action. Remember, even the best financial plan means nothing unless you take action.

5- Follow Up

The impact of any course of clinical treatment needs to be evaluated over time in collaboration with the physician. In financial terms, you similarly need to be supported, particularly by coaches who will hold you to account for achieving each objective within its timeframe. Reflection and feedback are essential to ensure you are hitting each goal and if you are not, to determine the reasons why. Always regularly review progress against the objectives and make course corrections, as necessary. A plane flying from London to New York is off course at least 90% of the time due to traffic lanes and the winds aloft. It, therefore, has to make course corrections frequently so that at the end of the journey it lands in the right direction, on the correct runway.

Similarly, with any long-term financial goal, there will always be bumps in the road, but persistence and course corrections are the key. The function of a coach is to keep you accountable for making the necessary changes towards your purpose and vision, keeping you on track. You cannot manage what you do not measure. Results need to be measured regularly and the overall financial position rigorously evaluated at least annually to close the audit loop. Growth in financial aptitude along with changes in mindset as you move forward is just as important as the end goal. Success is not what you achieve, it's who you become in the process. This is why as you get closer to a goal being achieved, you need to set a new one to sustain the momentum.

1 History Taking

2 Investigation

3 Assessment and Diagnosis

4 Treatment

5 Follow Up

Conclusion

The aim of the Wealth Clinic model of coaching is to help you develop passive wealth systems for the attainment of financial freedom at the earliest possible opportunity, in order to support your chosen lifestyle in the long-term.

Regardless of current financial status, future success is achieved from gaining clarity about the gap between the cost of your future desired lifestyle and current reality as the first step in setting SMARTER financial goals as part of a massive action plan consistent with your purpose and vision.

Growing your mindset, developing financial intelligence and identifying relevant coaches and mentors to support you and hold you accountable are all key elements to developing the multiple streams of passive income which will lead to your ultimate financial freedom.