



How to make money resolutions that work

It's that time of the year again, when many of us resolve to be better versions of ourselves – whether at work or with family or with our personal finances. Over the last 18 years of working with client families, we find very often that this resolve comes to nothing within the first few weeks of the year, unless it is acted upon very quickly.

However, we have also seen multiple New Year resolutions become the foundation to an excellent financial situation for many families. We have tried to understand what works for these families, and how they converted these resolutions into actions and concluded that there are four factors that worked well.

Begin with the 'why' in mind: We found that most of these families were very clear when they met us on why they wanted to manage their personal financial situation better: an early retirement, to travelling, to the desire to support their children's graduation overseas, to financial freedom and not having to work for the money before they turned 50. Most importantly, 2020 taught us the importance of having enough savings to get through extreme uncertainty professionally, with disruption in incomes, lay-offs etc. The families that were unsuccessful reached out to us because they were unhappy with their current portfolio returns. They wanted much higher returns, or were simply trying to discover the next best thing.

Perfect is the enemy of the good: We often find that the reason why most plans fail is the fact that the exact monthly expenses are not known for the family, or there are no statements for some retirement savings. Your first financial plan does not need to be perfect. We do in fact find that a financial plan evolves over time, as families think deeper about what truly matters to them, and how their personal finances can help them achieve that. Just put together a

rough estimate of your income, expenses, assets, liabilities and financial goals at the start and you are ready to go.

Invest across market cycles: Whilst equity market valuations are important, and there will be times when holding cash is a prudent idea, a strategy that is solely dependent on a market correction does not work in our experience. The need to have a strategy that keeps market valuations as one of the parameters works well, rather than simply leaving everything to the big market correction after which we hope to invest all our money.

We had a deep correction in the early part of 2020, but the accompanying fear at that point was so high, that very few people could take advantage of it. We find that families that understand asset allocation, that is, using different asset classes in the right mix, actually do very well.

Have someone to be accountable to: A large number of investors can self-manage their portfolio, and know what to buy. What they struggle with is managing their emotions, and staying accountable while delivering on their financial plan and all the pieces that go into a robust financial plan – an adequate emergency fund, an independent health insurance cover, a Will that is written, signed and witnessed, and an investment strategy that is not speculative. Many families need an accountability coach such as a professional financial advisor to ensure that they are on track.

After all, the noblest intentions mean nothing if they are not implemented, or implemented too slowly.

This article is written by Vishal Dhawan and first appeared in Money Control.