The Financial Banana Split

Financial Literacy From High School To Retirement

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STEP ONE

GAIN MONEY SELF-AWARENESS

1

What Is Money Self-Awareness?

Self-awareness is understanding how core values influence our behavior.

Core values are the basic values we live our lives by such as: honesty, humor, logic, control, faith, ambition, love, fairness, fear, courage, cheating, curiosity, etc. We all have them. Our behavior is marked by which ones are dominant in our personality.

Money self-awareness is understanding which core values dominate our thoughts when we deal with money. Reordering them to replace negative ones (fear/apprehension/negativity) with positive ones (healthy curiosity, logic) is vital to our future financial success.

Why? Because replacing decisions based on emotions with thoughtful consideration based on history, knowledge, comparisons, common sense, I tell you from experience, is the single most important factor in determining your future financial failure or success. Long term success needs long term thinking.

Knowledge is useless if emotions overrule its application.

2

How to Own It and Use It

Your feelings and family memories about money (Orman, 1997) will help you craft a meaningful three-line poem: your own Power Money Mantra. This will help you override emotions with logic when you need to make financial decisions – big or small.

a) Your Feelings About Money

What thoughts about money make you fearful, self-conscious, overwhelmed: Student and credit card debt? Next month's rent? Lack of money? A job or better pay? Everything about money? (Orman, 1997). Write your three most pressing money problems down for later use.

What do you want your financial future to look like: Being able to pay for college? Owning your own home? Being your own boss? World travel? Write your three top financial priorities down for later use (Orman, 1997).

b) Your Hidden Money Memories

Think of your oldest sweater or jeans hanging in the back of your closet or buried deep in your dresser drawer. You've forgotten about them. They don't fit. They're not useful. They needed replacement long ago.

This describes most people's attitudes towards money: It was acquired years ago. You still own it. It no longer fits. It needs updating.

Most of us form our understanding and relationship to money when we're children, taking our cue from our family (Orman, 1997).

Take a moment to remember your family's money dynamics.

What was your household's feeling(s) about money: Comfortable, nothing to worry about? Taught or not about finances from parent(s)? Stressed-out, never enough? Money is evil? We're not the lucky ones?

Write down this important link(s) to your past for later use.

c) Creating Your Power Money Mantra

Want power? Then unleash your creativity!

The goal is to create a Power Money Mantra related to the financial vision you want for your future while powering past negative money feelings that could hinder your financial success.

A mantra is a repeated verse used to express a belief.

We'll use a three-line format similar but simpler than Japanese Haiku poetry. This promotes meaningful, easy to remember phrasing.

Your Mantra is 3 lines using Points A, B and C:

Point A: **The Subject** – The main focus of your writing.

Point B: **Living / Natural Objects** – Universally relatable.

Point C: **Action** – This adds dynamics, depth and interest.

Lines can be in any order. One line may contain multiple points. Each of the three points must be used at least once in your mantra.

Use words and phrases from exercises a) and b), above, etc.

Now let's write one general Haiku and one Power Money Mantra.

My General Haiku

Standing on the front porch (action/objects)
… loud sniffing behind door (action/objects)
family dog, anxious to greet me (subject/action)

My Power Money Mantra

Money mistakes – darkness – fear of the unknown
(action/nature/ living)
financial information – light – awaiting discovery
(Object/nature/action)
knowledge conquerors fear and powers prosperity
(living/action/living/subject)

Your General Haiku

Your Power Money Mantra

This is your **Power Money Mantra.** It's your new story. Memorize and repeat it before making any financial decision. More information: www.FinancialBananaSplit.com

STEP THREE

COLLABORATE FOR WEALTH BUILDING

1

What Is It?

To collaborate means two or more people join to combine property, resources and/or services to do or create something (Orsi, 2009).

Collaborate for wealth building means the goal is an increase in wealth, either in actual, countable wealth or an increase in the value of assets (land, house, car, etc.) of both parties involved. Or an increase in available time from effort saved due to collaboration.

2

Why use it?

Specific to this book: In many cases using collaboration enables you to become a homeowner and target more money into income-earning investments sooner than if you do it all yourself.

3

Example

You cook dinner Monday through Thursday for you and your family. If you collaborate with three other families and each family is only responsible for cooking dinner one of the four nights, the following benefits accrue to all:

1. Time saved: each of the families only has to cook one of the four days instead of all four days.
2. Money saved: You cook more portions when it's your day. This means more food bought cheaper in bulk.
3. Variety: Each family probably has several cuisine specialties, thus augmenting variety.
4. Quality of Life: Collaborative cooking naturally enhances community socialization, leading to potentially more collaboration, savings, variety and hopefully friendships.

4

Ways To Use It

Collaboration (like most things) can be reduced to the five basics of story writing we're taught as schoolchildren:

1. **Who:** Direct/indirect? Long/short term? Changeable?
2. **What:** Everything clearly defined? Understood?
3. **Where:** Physical location(s) identified? Changeable?
4. **When:** Definitive start, finish? Duration? Changeable?
5. **Why:** Clear on goal(s)? Reason(s)?

Collaboration can be by ownership of an asset by one or more of the parties. They agree to share or barter it's use for something of equal value. Or through service such as trading childcare for housework or repairs or use of a material asset.

The important points are for all parties to understand what they're getting involved in and insure each party is giving or getting something of equal value.

5

Home Buying Advantages

The best financial reason to collaborate with others on the ownership of your first home is just that: to own a home.

If it will take you twenty years plus to save enough for a down-payment on your own home but only 3 years to save enough for a down-payment on a collaboratively owned home, this could be the difference between the fantasy of home ownership and the reality of actually owning a home.

Owning your own home is accomplished by using the "step-up" process noted in Ingredient Two: Home Ownership.

Additional documents needed when buying a house on a collaborative basis include:

1. **House Collaboration Agreement -** This covers many aspects of collaborative home ownership including: space allocation, house expenses allocation, buying and selling shares of the house (who-what-where-when-why), right to sublet a house share, how problems are resolved, etc.

2. **Consent Agreements for Backround checks -** These are separate documents, one signed by each proposed shareholder, giving the other proposed shareholders permission to complete a backround check on each signee. This is to determine suitability: legally-financially-ethically for ownership in the collaborative house.
3. **House Budget Agreement –** This document details the estimated costs of maintaining the house on a monthly basis, including mortgage, property taxes, utilities, repairs, etc. It's given the right to be amended as amounts change and is referenced in the House Collaboration Agreement. House budget monies have their own bank account.
4. **Emergency Fund Agreement –** This document shows how much is contributed by each shareholder into the House Emergency Fund. It's used by a shareholder to pay their monthly house budget obligations due to lost or reduced income. Loan terms, including maximum amount loaned, interest rate, repayment terms and penalties are stated in it. The borrower uses their share ownership interest as collateral to secure the loan. It's referenced in the House Collaboration Agreement. Emergency Fund monies have their own bank account.

It's critical when buying a house, especially one that will be owned collaboratively, not to overpay.

Why? Because if the house goes way down in value you won't be able to sell your share for maybe ten plus years without taking a big financial loss. You'll be stuck in that house possibly with people you don't want to live with anymore. It could also hinder job relocation choices.

That's why it's important to study Ingredient Two: Home Ownership and avoid the pitfalls of over-paying for your house. Especially don't buy at the top of a good cycle, also referred to as a "seller's market".

It's much smarter to wait and buy the same house at a 30% discount in a down "buyer's" market. www.FinancialBananaSplit.com for more information.