

# Building a Financial House



I have noticed a building boom near my neighborhood, and in particular, one area close by is 100% new construction. With new housing, you get to see all the stages of development from bottom to top. In a perfect world we would just snap our fingers and the home of our dreams would appear taking no work at all to make it happen. But the reality of life is that it takes time, effort and a plan. This also rings true when we focus on our finances. Building a financial house is not a whole lot different than building a real one.

Let's break down the construction of our financial house into four steps:

1. The blue print
2. The foundation
3. Building the house
4. Maintaining the house

## The Blue Print

Before anyone builds a house they determine a budget for what it is going to cost and then work from there. There is a plan in place (a.k.a. a blue print). A financial blue print would incorporate your vision for the future (i.e., what you want to be able to accomplish from a financial perspective) and the best path for getting there.

A blueprint is important. It has been said "a dream remains in the thoughts in your head, and a goal is when you put it on paper" (source unknown).

Your blueprint will most likely be different from another person's. So make sure to focus on achieving *your* goals and not someone else's goals. The grass is *not* always greener on the other side.

## The Foundation

With the blue print in place, it's time to start building and all homes start with a solid foundation. Without a solid foundation, in time, the whole house will crumble. A financial foundation is built with the following elements:

1. A focused savings / budgeting program
2. A planned investment approach
3. A consistent rate of return that avoids large losses
4. Time

These elements are the foundation to successful investment and financial planning but can only begin once the blueprint is in place pointing you in the direction of your long-term goal.

## Building the House

Gerald Townsend, whom many of you may know, told me early in my career something I treasure because it is relevant to many different areas in someone's life. He asked, "Caleb, do you know how to

eat an elephant?" And I replied "No." Then he said, "One bite at a time." This is essentially the way to build a financial house: one step (or bite) at a time. A house is built one nail or two by four at a time, and when it all comes together you have a dwelling.

Having a plan/strategy does help. If someone laid all the building materials out on the ground and told you to construct a house out of them, you might not know where to start. You may find yourself doing nothing at all. To relate this to our financial house, if someone told you to invest your money or create a financial plan, you may be able to hash something together but it is also likely that you may not know where to start. That's a good time to check the blueprint - what does the blue print call for? The core of what our firm does, and my vision for each client I work with, is to help them take a pile of building supplies and build a financial home by their design, not anyone else's, one brick at a time.

## **Maintaining Your Financial House**

A house requires maintenance. Everything needs to be maintained and every homeowner knows that there always is something that needs to be done or something that we would *like* to do to refresh our dwelling. Similar to your finances, often we are on the correct course of action and have built our financial house, but along the way things need to be refreshed. Is your current asset allocation meeting your income needs but still providing growth? Have your goals changed so that you need to make different financial decisions or take action?

A house built with a plan on a solid foundation will stand the test of time and so will a financial house by drafting a blue print, setting the foundation on rock, building according to your plans and keeping the house in order.

I encourage you to think big, dream big, and start building your financial house today.

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