Blueprint For Financial Success

In this short guide, we will explore the essential steps necessary for achieving and maintaining financial success.

The **foundation** of financial success is, of course, earning money as an income, whether through employment or a business venture.
Once a steady stream of income is established, the real work of managing and growing wealth begins.

The "game of money" in the long run will be won (or lost) by actually only a few principles. Understanding and implementing only these few principles though, individuals can work towards achieving their financial goals and securing a financially stable future <u>forever</u>.

However, let's face it: The vast majority of people would not consider themselves being financially successful (or admit that they could do better), but don't know exactly where to start.

So I'd like to begin with the opposite question because it illustrates best what's going on:

Why do people <u>struggle</u> with money?

People can struggle with money for a variety of reasons. Some common factors include:

1. <u>Lack of financial literacy</u>: Many people may not have a good understanding of basic financial concepts, such as budgeting, saving, investing, and managing debt, which can make it difficult for them to make sound financial decisions.
2. <u>Psychological biases</u>: People may be influenced by psychological biases, such as the sunk cost fallacy or the endowment effect, which can lead to poor financial decisions. (You can read about these effects in more detail on my blog).
3. <u>Emotions</u>: Emotions such as fear, greed, and impulsivity can play a major role in financial decision making and can lead to poor financial outcomes. They are usually formed in early childhood, for example, when they were taught that "money is the root of all evil".
4. <u>Lack of planning and organization</u>: People may struggle with money if they lack the ability to plan, prioritize and organize their finances.

However, these four factors are actually within everyone's control.

And if we look closer, there are only two aspects: The **psychological/mental** side (2+3), and the **technical** side (1+4).

If you divide financial success into a mental and a technical aspect first, and work to master just the basics of these 4 bullet-points together, it will be enough to never suffer financially again in the long run.

Life could be easy, but there are also factors of financial struggle over which we have no control - and unfortunately everyone deals with them to a greater or lesser degree over the course of their lives. However, ideally these factors will only have **short-term** effects on us **if we had learnt the above-mentioned factors.**

Factors which are mostly beyond our control which could cause financial struggle:

1. <u>Limited resources</u>: People may struggle with money if they have limited resources, such as a low income, high expenses (caused by a sudden event like an accident, inflation, etc.) or large amounts of debt (… and many many more actually, but which will be discussed in future posts or courses and how to deal with such circumstances).

2. <u>Socioeconomic factors</u>: Socioeconomic factors such as race, gender, and education level can also play a role in financial well-being. These factors can affect access to financial resources, education, and opportunities, which can make it more difficult to achieve financial security.
3. <u>Life events</u>: People may also struggle with money due to unexpected life events such as job loss, medical expenses, or other financial shocks (see 1).
4. <u>Societal pressure and cultural norms</u>: Societal pressure and cultural norms can also play a role in financial struggles, as people may feel pressure to keep up with consumerist culture and societal expectations which can lead to overspending and financial difficulties.

Overall, financial struggles can result from a combination of these factors, and it's important for individuals to be aware of their own unique circumstances and challenges when it comes to managing their finances.

However, unfortunately financial education mostly focuses on the technical sides – financial education within books, seminars, courses, workshops, discussions, etc.
When I browse through bookshelves about economics and finances, they are mostly technical stuff, added with books on math and statistics.

But in my humble opinion, the psychology matters even more, and should be taught (and mastered) <u>before</u> someone dives deeper into the technical and tactical topics.

Put in a formular, it would look like this:

Financial Success = Psychology -> Tactics.

So let’s briefly summarize why psychology is so important for financial decisions and how it helps:

Psychology plays an important role in financial decision making because it helps to understand **how individuals think, feel, and behave when it comes to money**. This can include factors such as emotions, biases, and mental shortcuts that can influence financial decisions. By understanding these psychological factors, individuals can make more informed and effective financial decisions, such as setting and achieving financial goals, managing debt, and investing for the future.

For example, research in psychology has shown that people are more likely to make sound financial decisions when they have a good understanding of their own attitudes and behaviors towards money. Vice versa, if not being taught, and if the focus is only on the technical aspect, “(…) ***the extent to which increased financial education can lead to better financial decisions is disputed in research.”*** *(from: Lauren E. Willis: Against Financial Literacy Education. ID 1105384. Social Science Research Network, Rochester, NY 13. März 2008)*

Additionally, psychological concepts such as behavioral economics can be used to design educational materials that address common cognitive biases and mental shortcuts that can lead to poor financial decision making. Understanding how people make financial decisions can also be useful for those working in fields such as financial planning, investment management, and consumer finance.

And yes, that’s basically really it!

If I may add my personal preferred strategy and suggestions for a quick starting point:

Being aware of and mastering one’s mental and behavioral patterns first to then dive into the depths of strategies is the way to go! I learned this the hard way.

If you agree and/or (still) enjoyed these 3 pages, I would be happy to welcome you to my blog, upcoming articles, and other stuff to continue to make progress. I hope I've been able to provide you with a useful little map that you can now use to point your compass in the direction of financial success – or at least gave you a quick refresh about the basics.

Either way, if you want to dive deeper into each element and its discussion, watch out for my upcoming course-material.

If you did not like this document, tell me.

If you disagree with my points, tell me.

I’m always happy to learn (hey, I’m a bookdealer….).

I look forward to seeing and talking with you. Thanks for being here.

Sebastian

www.financial-prime-strategy.com

financialprimestrategy@gmail.com