

## STEP 2

# DETERMINE THE TRUE PURPOSE OF MONEY IN YOUR LIFE

**AS A FINANCIAL ADVISOR**, I specialize in doing what we call Purpose-Focused Financial Planning™. What this means is that before I start trying to figure out how much money my clients may need for their futures, I first help them try to get a clear idea of what they see as their purpose in life.

This concept often surprises people. The media and the investment industry have gotten us so focused on what they call “retirement planning” that everyone thinks personal finance is all about determining how much money you need at retirement. In fact, most people assume that when they meet with a financial advisor or planner the conversation should focus on specific investments, net worth calculations, tax rates, and how many years they will have to work before they can

retire. While all these things are important, they are not what is most important. What I believe is most important is first having a conversation about what it is that matters *most to you*. What is it that you stand for and what it is that you care most deeply about? In other words, what are your values?

### **Your Life Values Should Determine Every Life Decision You Make**

Stop for a second and really think about it: is there anything more important to you than your values? Where you live, how much you spend, what you focus your time and energy on—all are affected by your values. Your values color how you communicate with your partner, how you raise your children, and how you feel about what you have in your life. Your values can determine how hard you are willing to work to achieve your financial goals, how much money you currently spend, and how much money you will actually need at retirement. This is why I can tell you with total certainty that once you have a clear picture of what you value most in your life, you'll be able to create a truly meaningful Purpose-Focused Financial Plan.

To this end, Step Two of our journey to finishing rich involves learning how to understand what your values really are. Once your values are clear to you, it will be easy to decide what kind of “stuff” you want and what sort of things you want to do (which we will cover in Step Three). Perhaps most important, once you and your partner have clearly and specifically defined your values, you'll find yourselves much more motivated to put in the effort it takes to stick to your new Purpose-Focused Financial Plan.

The best way to explain the process of defining your values is to give you a peek at what it looks and sounds like when I explain the concept at one of my seminars.

### **Live from Hawaii—a “Smart Couples Finish Rich” Seminar!**

Recently, I gave a “Smart Couples Finish Rich” seminar in Hawaii. The event was held on behalf of a company that wanted to reward its

top employees and their spouses or significant others. When I walked into the seminar room, I found it filled with couples ranging in age from their mid-thirties to their mid-sixties. Some were newlyweds, while others had been together for more than 30 years and had multiple kids and grandchildren.

I began the seminar by introducing myself and asking a question. “My goal,” I told the group, “is to share with you how you can do two things: (1) live rich, meaning live a life in line with your values, and (2) finish rich, meaning be able to retire with at least a million dollars in liquid assets.”

Then I asked my question: “How many of you are basically in favor of both living and finishing rich?”

Just about everyone in the room laughed and raised their hands.

I then told them what I just told you at the beginning of this chapter—namely, that in order to figure out a sensible and meaningful plan for living and finishing rich, we first need to understand what our values are. “To do this,” I said, “let me ask you all a really simple question:”

### **“What’s the Purpose of Money in Your Life?”**

“When you think about money in the context of your life and the things that are important to you, what purpose does it serve?”

The room was pretty much silent, so I repeated the question in a slightly different form. “When you think about the way you live, what are the values that money enables you to fulfill?”

Most everyone was still looking at me blankly. “Okay,” I said, “I’m going to help you out a little bit with a cheat sheet.” Using an overhead projector, I showed them a list of values. It included words and phrases such as “freedom,” “happiness,” “love,” “health,” and “making a difference.”

“These are some examples of values,” I explained. “Now let’s see what each of you can come up with. When you think about your lives, what values are important to you? What is it that you’re looking for in life?”

A woman in her early thirties raised her hand. “Teaching my children how to be good people,” she said.

I turned to the whiteboard and wrote that down.

Then her husband chimed in. “Security,” he said. “Knowing we are secure and our family is safe.”

I wrote that down, too. “What about the rest of you?” I asked the group. “What is your purpose for being here on this planet? Why do you think you’re here?”

“To have fun!” called out a woman in her fifties.

“Freedom!” a man shouted. “I want the freedom to do what I want to do when I want to do it.”

“Yeah,” agreed another man. “Like having the freedom to stay in Hawaii for more than five days.”

Everyone laughed. “‘Having fun’ and ‘freedom’ are values,” I said, “but staying in Hawaii for more than five days is more of a material goal. The question is, if you could stay in Hawaii longer than five days, what value would that allow you to live by?”

The man’s wife grinned broadly. “Viagra!” she shouted.

Now the room was cracking up. This guy turned bright red, and so did I. “Actually,” I said, “you may be on to something. Maybe staying in Hawaii longer than five days would be good for your relationship. So the value here might be passion, love, or romance.”

“Forget about romance,” called out a sandy-haired man named Tom. “Staying in Hawaii more than five days would mean I could play more golf. That’s what I want to do with *my* time.”

I wrote “golf” on the whiteboard, but then I circled it. “Golf is a goal,” I said to Tom. “The question is, what values does golf allow you live by?”

Tom shrugged. “Well, I don’t know,” he said, “but it’s fun.”

I wrote down the word “fun,” then turned back to the group. “How many of you play golf?” I asked.

More than half the people in the room raised their hands.

“Okay,” I continued, “those of you with your hands up, what values does golf provide you with?”

A fit-looking woman in her forties stood up. “It gives my husband and me a chance to spend four consecutive hours together,” she said. “So it’s a great way to have quality time with each other and also be outside doing something healthy.”

“Great,” I said. “So what values are those?”

“Well, for me, I guess it’s the values of marriage and health.”

“And the values of marriage and health are important to you?” I asked.

She nodded, and I wrote “marriage” and “health” on the board.

Then another woman spoke up and said, “I think spirituality is an important value. I think it’s important to have a spiritual life.”

So I wrote down “spirituality.”

Yet another woman joined the conversation. “I like to spend time helping others and making a difference,” she said.

No sooner had I finished writing down “make a difference and help others” then someone else called out another value, followed by another person, and then another. Within 10 minutes, we had filled two entire whiteboards with something like 30 examples of values people in the room said were important to them.

When things finally quieted down, I let everyone just look at the list of values for a minute. “That wasn’t so hard, was it?” I asked.

Most everyone nodded in agreement.

“Well, now let’s try something else,” I continued. “Instead of coming up with values, let’s think about the kind of stuff you want. What material things would you like to have that money can buy?”

The room just about exploded. “I want a new car!” a man called out. “No, jewelry!” his wife shouted. Everyone laughed. “That’s right,” another woman said. “More jewelry!” Then a second man said he wanted a new boat, followed by a woman who said she wanted a new kitchen. The guy who’d earlier talked about golf said he wanted to play more golf. And the woman who had mentioned Viagra yelled, “More Viagra!”

By now everyone was laughing and having a good time. And the suggestions kept pouring out. Whereas it had taken us a little more than 10 minutes to come up with 30 or so values, it took us less than three minutes to compile a list of maybe 30 different kinds of “stuff” that people wanted to buy.

“You know,” I said, “it’s always interesting to me how easy it is for

us to list the kind of stuff we want to own versus the kind of values we want to live by. Yet the truth is that it's a lot more important to understand what your values are and to live your life by them than it is just to have stuff. Unfortunately, too many of us spend our lives pursuing stuff, without really looking at our values. And you know what that leads to?"

"Credit-card debt!" a woman called out.

We all laughed. "Well, that too," I said, "but actually I was thinking of something even more serious that happens when you spend 20 years focused not on your values but on getting more stuff. What happens is that it leads to a midlife crisis, which generally leads to all sorts of unhappiness, including divorce. The truth is that most midlife crises occur because people get to a certain age with all this stuff they've accumulated and suddenly it hits them that their stuff isn't really making them happy—that this stuff they've spent all this time and effort getting is actually the wrong stuff."

I went on to explain that this almost never happens to people who've got their values straight. "After all," I told the group, "how often does someone get to their fifties and look around and say, 'Well, I've lived my life in line with my values, but now I don't think I like my values anymore, so I guess I'll get divorced and start over'? Hardly ever."

In short, I concluded, values are the key to living smart and finishing rich. The sooner you and your partner start putting your values first—and stuff second—the sooner the two of you will start living a life that excites and empowers you both. That's because when you understand your values, you tend to live the life you really want almost automatically. Instead of having to "motivate yourself" to do the right things, you find yourself being pulled in the right direction by the power of your values. Stuff may be nice, but it rarely pulls us anywhere worthwhile. Only values can do that.

### **What's Really Important to You?**

As a financial advisor, I've learned that when all is said and done money is good for three basic things. It helps people . . .

- 1) Be
- 2) Do
- 3) Have

Let me explain what I mean by this. When I say that money helps people be, I mean that it allows them to live in a particular way that defines who they are. When I say that money helps people do, I mean that it makes it possible for them to take actions that will help create the kind of lives they think they want. And when I say that money helps people have, I mean that it enables them to buy stuff.

Now, in an ideal world, the lives we lead, the things we do, and the stuff we buy would always be in line with our values. The challenge as I see it is that most people focus first on the “having,” second on the “doing,” and third on the “being.” Which means that many people, even ones who use financial planners, go about it all backwards. Even worse, many people never even get to the “being” part. They spend so much time on the “having” and the “doing” that they never look up to see whether who they are is who they want to be.

In order to create a sensible Purpose-Focused Financial Plan, you must understand what money means to you, what values it can help you achieve. Once you know this, you can quickly focus your time and energy on what matters most to you—not what society, friends, or advertisers say matters, but what *you* say matters. To put it another way, the process is basically a matter of looking really deeply at what is most important to you, and then planning your finances around that. If it sounds like we’re talking about more of a life-planning process than just a money-management process—well, quite frankly, that’s what smart financial planning is really about.

### **Why Most Financial Planning Tools Don’t Work**

Consider this scenario. You are 45 years old, your income is currently \$50,000 a year, and you’ve got \$25,000 in the bank. You come to see me for retirement advice, and I plug those numbers into my fancy retirement-planning software. A nanosecond later, my computer tells

me that you will need a lump sum of \$1.5 million in order to be able to retire comfortably at age 65.

While you stare in disbelief, I ask my program what kind of savings and investment program you're going to need to set up in order to accumulate a lump sum like that. The computer hums silently, then tells us that if you can create a portfolio that generates an annual return of 8 percent, all you need to do to build an after-tax nest egg of \$1.5 million is invest about \$40,000 a year for the next 20 years.

"But David," you say, "I only *make* \$50,000 a year—and that's before taxes."

"Hmm," I say, frowning. "That's a problem." I think for a moment, then brighten. "Well, don't worry. We'll just give your investment portfolio a higher return—say, 15 percent a year." I plug that into the program, and the computer decides that under these circumstances, you will need to save just \$17,000 a year.

"But David," you say, "there's no way I can invest \$17,000 a year—and, anyway, a 15 percent return is just not realistic."

"Oh," I reply. "I guess you've got a point." I think for another moment. "You know," I finally say, "any chance of an inheritance?"

Don't worry, I'm not really that ridiculous with my clients. The reason I created this scenario is to illustrate what can happen if you do financial planning strictly by the numbers, instead of by the life. What can happen is that you can all too easily convince yourself to not even bother trying. I constantly meet people in their fifties who gave up on their financial future in their late thirties because they felt it was already too late for them and there was no hope. That's sad, because it's never too late.

The point is that smart financial planning is more than a matter of numbers. It involves values first, and stuff second. Let's say you value security, but you and your partner are constantly spending more than you make as a couple. As a result, the two of you are living paycheck to paycheck. In other words, you are living your lives in massive conflict with your values, which creates massive stress. In a relationship, this can result in constant fighting and an end to passion.

Now, situations like this don't just happen. They are the result of repeated decisions and actions (like regularly spending too much

money) that conflict with your value system. Your financial behavior simply doesn't match your personal values.

And don't think the problem is simply that you're not making enough money. Let's say your value is freedom, which to you and your partner means having the time to exercise every day and go on long walks together. Unfortunately, what you're actually doing is working 60 hours a week, which means you never have a chance to exercise or see your partner. Now, you may be enjoying financial success (in the sense that you're making a lot of money), but how likely is it that you're happy? Not very, because your life doesn't match your values.

Or consider this common dilemma. Your top value is family, but you are so busy working in order to be able to meet your mortgage payments that you never actually see your spouse and kids. Someone talked you into buying a bigger home than you could afford, and now you are paying the real price. No one (including you) considered your values when you purchased the house. Unfortunately, when you make big life decisions like that without considering your values, what you end up with is stress and unhappiness. No one wins.

So how do you get a clear picture of what it is you are looking for in life? Well, the good news is that you don't have to go into deep therapy, meditation, or be hypnotized. You don't have to delve back into your past and find out where you went wrong. You don't have to recite mantras ten times a day in front of a mirror. All you need to do is decide what you think your top five values are, write them down, and then start planning your life around them.

What is great about this process is that it's really not that difficult. In fact, it shouldn't take you more than 10 minutes or so. The reason it is so easy is that most people actually have a pretty good feeling—what I call “gut knowledge”—about what their values are. And to help you along, I've devised a simple technique using something I call the Value Circle™.

To get a feel for how this works, I'm going to let you eavesdrop on a real-life Purpose-Focused Financial Planning conversation I had with a client. By listening in, you should get a good sense of how the process works. Once you do, I'll show you how to create a Purpose-Focused Financial Plan for yourself.

## Constructing Kim's Value Circle

Bill was 38; his wife Kim was 35. They had two little girls, ages 5 and 7. I started the conversation as I always do in such situations, asking, "Who wants to go through the Value Circle first?"

Kim immediately looked at Bill and then back at me. "I do," she said.

I nodded. "You know we're going to talk about money today," I began, "but before we do, let's talk about your values. When you think about your purpose in life and the things that really matter, *what's really important to you?* Specifically, what do you feel are the top five values you'd like to start focusing your time and energy on over the next 12 months?"

Having already attended one of my seminars, Kim didn't need a lot of prompting. "Definitely one of my biggest values is security," she said. "I was raised in a family that never had enough money, and I'm constantly in fear of not being able to pay our bills. So one of my top values is security."

I wrote down the word "security." "Now let's assume you had security in your life," I said. "What would be so important about having that security?"

Kim said, "Well, if I had security, I would know that my family is always safe—that if anything happened to me, the girls would be taken care of. That is really important to me."

"So would you say family is a top value of yours?" I asked.

"Definitely," Kim said.

I wrote down the word "family." "And what's important about family to you?"

Kim smiled. "We have the most wonderful, beautiful girls, and I want to see them grow up to be happy, well-adjusted kids and, eventually, happy adults."

"Okay," I said, "let's see if we can turn that into a value you can focus on. Assuming your value of family is fulfilled and you raise great kids, what else is important to you?"

Kim immediately looked at Bill and squeezed his hand. "Well, Bill, of course," she said. "I want us to have a happy, lasting marriage like our parents did, where we grow old together. We already have friends who

are getting divorced, and I don't want that to happen to us. So definitely a major value of mine is a strong marriage."

Bill smiled back at her.

"So one of your top five values is marriage," I said. I wrote that down, too. "Now let's say you are living in a way that really expresses your values of security, family, and marriage. What else is really important to you? If you were fulfilling those top three values and you could add two more to your Value Circle, what would you want to focus on?"

Kim looked hesitant. After a moment, she glanced at Bill. "Any ideas?" she asked.

I shook my head. "We'll get to Bill's values in a minute. Right now it's still your turn. If you could focus your time, energy, and passion on two more values, what would they be?"

Kim sighed and said, "Well, I guess I would also want to focus on my weight. I've gained about twenty pounds since I first had kids, and I feel bad about it. I know I need to lose weight, but I never seem to have the time to exercise, so let's put down exercise."

Again, I shook my head. "Exercise isn't really a value. It's something you do. Think about it this way: what's a value that exercise would promote?"

"Health," Kim said with certainty. "Health is definitely a top value I need to focus on."

"Health," I echoed, writing it down. "Great. And if you had health, what would be the last of your top five values?"

Kim frowned in concentration. "That's a tough one to answer. I think if I had really great health and all of those other values . . . I don't know—I guess I'd want to spend some of my time just having more fun."

"Well, fun is good," I said. "What does that value 'fun' mean to you?"

"Well, before Bill and I had kids, we used to be more spontaneous. We would go away on weekends and travel more. We had dates together. We did more things with our friends. It seems like a long time ago, and I'm not complaining because I love being a mom, but between my job, Bill's job, our house, and our two daughters, it doesn't seem like we have much time for ourselves anymore. I'd like to think there could be a way for us to start planning more fun time together."

“So fun would be a value you’d like to focus on?”

Kim nodded vigorously. “Fun sounds great. Let’s definitely put that down as a value.” She paused for a moment. “You know,” she added, “I also really value my career, and we haven’t put that down. Can we add career, too? Because I really want to focus on that, too.”

“Kim,” I said, “we can put down whatever you want. But for the purpose of this exercise, ideally I’d like you to focus on your top five values. So far we’ve put down security, family, health, marriage, and fun. Is your career an important enough value that it should replace one of these?”

She thought for moment. Kim worked for a software company that had recently gone public, and she earned a decent income. “To tell you the truth,” she said finally, “if I focus on my career, the value of security is going to be taken care of. So I think I’d almost rather substitute career for security.”

“Okay,” I replied, “but let me ask you something. Is it your career that you value, or is it the security that your career brings you?”

Kim didn’t hesitate. “Both,” she said. “I consider it one value.”

“Perfect,” I said. “We’ll put ‘security/career’ as one value in your Value Circle.”

### **Constructing Bill’s Value Circle**

Now it was Bill’s turn. He laughed when I gestured for him to start. “Can I just say ‘ditto’?” he asked.

“No, Bill,” I said with a smile, “you can’t just say ‘ditto.’”

“Well, you know,” he replied, “Kim and I do have a lot of the same values.”

“I’m sure you do,” I said. “But we still need to do this. You need to think this process through, hear yourself talk about your values, and then see them written down on paper. So just play along for five minutes, okay?”

Bill nodded. “The truth is,” he began, “when I think about all these things we’re talking about—values and purpose and money—security isn’t really something that I’d put at the top of my list. I know we’ll always have a roof over our heads. We’re making decent money

and I'll always be able to find work." Bill was a contractor, and with the economy booming, his firm had more clients than it could handle. "What I really want is more freedom," he said. "My business requires me to work six days a week, watch over a crew of 20 men, and deal with all sorts of headaches. I want more freedom in my life."

"Okay," I said, "let's put down 'freedom.' Now assuming you had more freedom in your life, what would your next value be?"

"If I had more freedom, I would have more time. That's what I really want, you know—more time to do what I want to do, when I want to do it."

"Which would be what?" I asked.

Bill shook his head sadly. "I used to windsurf and play golf, and now I don't do either. You know, I haven't picked up a golf club in three years. That's pretty sad when you think about it. My company is doing well, but I don't have any time to do anything but work."

I nodded sympathetically. "And if you could play golf more and windsurf more," I asked, "what value would that promote in your life?"

"Well, just like Kim, I'd like to have more fun again," Bill said. "We are both doing well, we have a nice home, we've got two gorgeous girls, but we don't ever do anything fun anymore. Our life is boring."

"So what's the value, Bill?"

He looked at me and almost bounced out of his seat. "Excitement!" he boomed. "I want more excitement in my life."

Kim laughed. "Sure you do, Mister-watch-television-every-night-exciting-guy."

I had to laugh a little, too. "Okay," I said, "let's put down 'excitement.' Now what else, Bill? If you had freedom and excitement in your life, what other values would you want to be living by as well?"

Bill looked over at Kim. "Well, definitely family and marriage. But I consider those one value. To me, if I have a good marriage I'm going to have a good family. And if I don't have a good marriage, it's going to be hard to have a good family. So let's put them down as one value."

I nodded and did as he asked.

Then Bill turned a little sad. "You know what my next value would be?" he asked. "It would be friends. I barely see my buddies anymore."

I've got all these great friends, and we almost never talk or do anything together anymore, we're all so busy with our families. I really miss going out with them every once in a while and shooting the bull." ("Bull" wasn't exactly what he said, but you get the idea.)

I wrote down "friends." "You've got one more, Bill," I said. "What other value is important to you?"

"That's easy," he replied. "My parents. They live about a thousand miles away, and they can't really afford to visit very much, so my kids hardly ever get to see their grandparents. I'd really like to make an effort to talk to them more and see them more."

"So is 'parents' a top-five value for you?" I asked.

Bill looked at Kim. "I know we're really busy, honey, and the money is a little tight, but I do need to figure out a way to focus some more time on them. You know, they're not going to be here forever."

"Of course, that's fine with me," she said. "But you know, it's not just about us taking a trip to see them. There is a phone in our house, they have e-mail, and you can also write letters."

"I know," Bill said, almost guiltily. "You're right." He turned to me. "For now, let's put down 'parents.'"

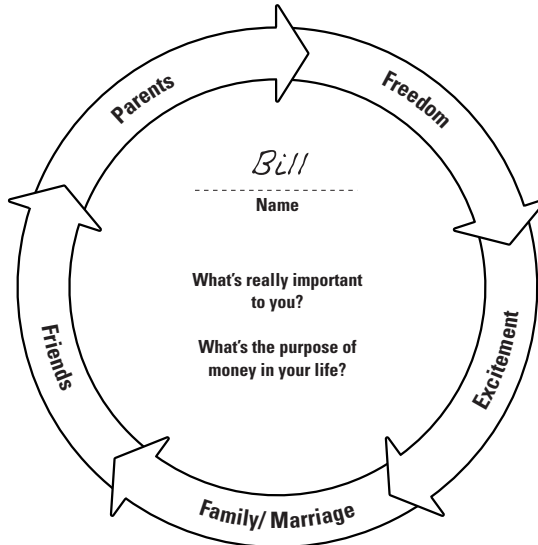
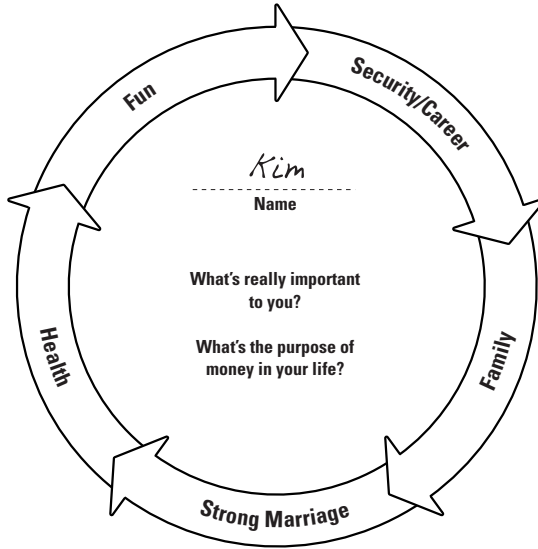
"Great," I said. "Then you're done."

### **Does Your Financial Behavior Match Your Value Circle?**

Now, while I was writing down Kim's and Bill's values, I wasn't just making a list. I was creating Value Circles for each of them. Here's what they looked like (see opposite page).

Notice that I wrote down Kim's and Bill's top five values not in a column but in a ring. There's a starting point to this ring, but there is no ranking. That's because we don't want to suggest that any one particular value is more important than any other. This reflects the fact that if you don't put a fair amount of effort into *all* of your top values, your life can become unbalanced. For example, we all know people who are great at creating security in their lives (that is, making lots of money) but who wind up getting divorced, their kids hating them, their physical condition a wreck—all because they didn't spend enough (or any)

THE VALUE CIRCLE™



time cultivating any other values, like family, or fun, or health. The Value Circle not only allows you to see—and as a result, think about—what your top five values are, it also serves to remind you how important balance should be in your life.

Now, what does all of this talk about values have to do with money? Well, let's look at what we discovered when we compared what Kim and Bill said were their values to the way they were actually living their lives. The first value Kim mentioned as being important to her was security. When I pressed her on the subject, she explained that what she really wanted was to know that her kids would be protected if anything happened to her. As it turned out, however, when I looked into Bill and Kim's financial situation, I discovered that they had never bothered to draft a will or set up a trust, and that while they did have life insurance, they hadn't bought nearly enough coverage. In short, they were hardly living by their values of security and family.

When I pointed this out to them, they looked embarrassed. "Yeah," Bill said, "we know we've needed to do something about this. We've just procrastinated. Pretty dumb, huh?"

"Actually," I said, "it's perfectly normal. Wills and life insurance are almost always a 'do' item. Hopefully, now that you've looked at your values, they will become a 'must do' item, not a 'shoulda, coulda, woulda' item."

In a similar fashion, we worked through all the values they listed—looking to see whether their financial behavior was consistent with what they had identified as being most important to them. For example, when Kim admitted that the reason she wasn't working out was because she didn't feel like spending \$50 a month on a gym, I pointed out that \$50 a month was a small price to pay for a top-five value.

By the same token, when Bill thought about spending time with his friends, he realized that the main reason he didn't do it as often as he liked was because he always thought of it in terms of a major "guys' weekend," and most of his friends couldn't get away for that long or didn't want to spend the money. "You know," he finally said, "I don't know why I make such a big deal about this. I could just organize a monthly golf Saturday. We all like golf, and we can go to a public

course.” He grinned at Kim and me. “That gives me two values—friends and excitement—for the price of one.”

“That’s called value synergy,” I said. “Often, promoting one value also helps fulfill another.”

Kim, who had been sitting silently, lost in thought, suddenly spoke up. “Bill,” she said, “you know how we’re always complaining that we don’t go anywhere because our big vacation costs so much?” She looked at me. “We generally take one big trip each year,” she explained. “Last year we actually spent \$3,000 going to Hawaii.” Then she turned back to her husband. “You know, I’d almost rather go on three or four little weekend trips than a single big one. We could even just go camping. We’d get away more, we’d have probably the same amount of fun, and we’d spend a lot less money.”

Kim went on to say that what she called “that ‘spending money’ thing” was a major source of stress for her and Bill. “I think we spend a lot more money than we need to,” she said. “That’s another reason I think we work so much. I’d like to see us get our expenses under better control so we could figure out a way to focus more on the things that matter to us—all this stuff we listed on those Value Circles.”

### **Kim and Bill’s Breakthrough**

Kim and Bill got more out of the Value Circle process than just a few general ideas of things they needed to do. They actually got a complete, detailed Purpose-Focused Financial Plan. This consisted of a sheet of paper on which we listed the five values each had decided to focus on over the coming year. Next to each of the values, we wrote down five matching “do” ideas—that is, actions they needed to take in order to bring the way they lived their lives more in harmony with their values. (We’ll cover how to do this in the next chapter, Step Three.) And next to those “do” ideas, we wrote down matching “have” ideas—that is, specific material goals that living according to their values would allow them to achieve.

This process may seem simple, but don’t be fooled. It can also be very powerful. Indeed, within five weeks after completing their plan,

Bill and Kim finally had a lawyer draft a will for them—something they had talked about doing for nearly five years but never managed to get around to. They also increased their life-insurance coverage. Kim joined a gym. Bill planned his first golf Saturday with his buddies. And they worked out a plan to cut back on their spending.

The point is that doing this simple exercise got them to focus on what really mattered to them in life—to see through the clutter so they could concentrate less on having and more on being. Money is great to have, but all the money in the world won't make you happy if what you do with it conflicts with your values.

### Creating Your Own Value Circle™

With this in mind, let's start to create your own Purpose-Focused Financial Plan™ by creating a Value Circle™ for both you and your partner. Although you can each do this exercise separately, it's much better to do it together. That way, if one of you gets stuck, the other can act as a prompter, asking questions such as “What does this value mean to you?” and “What's important about this value to you?” and so on.

So let's get started!

Pretend the two of you are arriving in our offices at The Bach Group in Orinda, California. You're going to meet with me in order to create your own personal Value Circle.

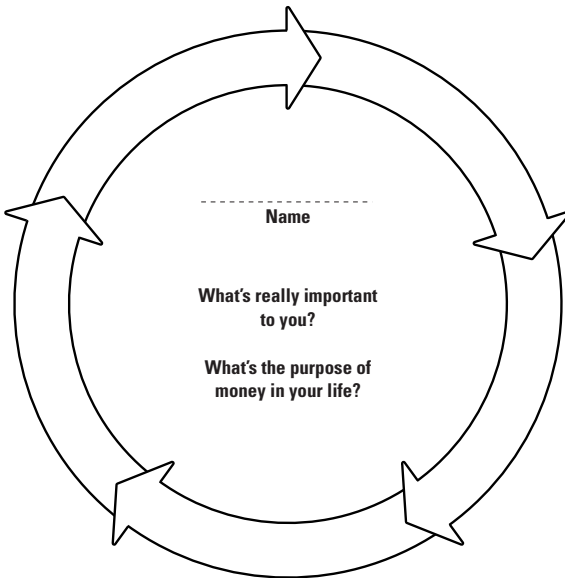
On the desk in front of you is a blank Value Circle sheet, waiting for you to tell yourselves and me (the recorder of the values) what matters most to you.

Here are some simple tips to get you through the process.

1. **First, relax.** This is not a test. It's meant to be fun. Our objective here is simple honesty. Write down only what feels right at a gut level. Don't put down a value just because you think it “looks” good. If it doesn't reflect how you feel in your gut, it won't really mean anything to you, and you won't focus or act on it.
2. **Start with the simple question,** What's really important to you? When you think about your life and the things that really

matter, what value is most important to you? What's the purpose of money in your life?

3. **Remember to stay focused on values**—not goals, not things, not stuff to do or buy. If, say, you worry a lot about money, you might be tempted to list as a value “having a million dollars.” But that’s not a value; it’s a goal. The underlying value in this case would probably be security or freedom. The million dollars is just a way to fulfill one of those values. Similarly, many people say they want to travel. But “travel” is not a value; it’s a thing to do. The value that travel promotes might be fun, excitement, or personal growth.
4. **As they occur to you**, write down values in the Value Circle until you have listed five core values that you can commit to focusing on over the next 12 months. You might find out that there are more than five values that you want to focus on. Some of my clients and students have come up with as many as 10 values. There’s nothing wrong with that, if you are serious about your commitment. It’s just that in my experience most people find it difficult to focus on more than five at a time.
5. **That’s it.** You have completed the Value Circle. Give yourself a pat on the back.

**THE VALUE CIRCLE™****If You Find Yourself Getting Stuck . . .**

Not to sound like a broken record, but your Value Circle needs to center on values or it won't work. Many people struggle with the difference between a value and a goal. Remember, values are about being; they define a way of life. Goals tend to be about doing and having; they involve stuff. To help you differentiate between the two, I've listed below some common values and some common goals. Use these examples to get yourself started, but don't just copy them down. In order for this exercise to be of any real use to you, you really have to care—at a gut level—about the values you choose.

### Values vs. Goals

#### VALUES

Security  
 Freedom  
 Happiness  
 Peace of mind  
 Fun  
 Excitement  
 Power  
 Family  
 Marriage  
 Friends  
 Making a difference  
 Spirituality  
 Independence  
 Growth  
 Creativity  
 Adventure  
 Fulfillment  
 Confidence  
 Balance  
 Love  
 Health

#### GOALS

Retire with a million dollars  
 Pay off mortgage  
 Be debt-free  
 Not worry about debt  
 Travel  
 Ski with friends  
 Be the boss  
 Spend more time with kids  
 Plan more “date nights”  
 Annual “guys” or “girls” trip  
 Donate to charity  
 Go to church or temple  
 Stop working  
 Go back to school  
 Learn to paint  
 Take trip to Africa  
 Stay married  
 Exercise  
 Plan life better  
 Have great marriage  
 Lose weight

### Please Don't Skip This Step

It's really easy to skip a step that requires you to stop, think, and act—especially when it involves something as unfamiliar as looking at your values. Some of my students—and even some of my prospective clients—think these value exercises are a waste of time, that they are nothing more than New Age, feel-good fluff. Well, believe me, there is nothing New Age about looking at your values. The Greek philosopher Socrates was talking about this exact type of thing back in 400 B.C. The

key to human advancement, he taught, could be expressed in two powerful words: “know thyself.”

So even if you and your partner would prefer to keep on reading, rather than stopping right now to create your Value Circles, I urge you to overcome your hesitation and carry out the exercise. The nine-step journey you are taking builds on itself. In the next chapter, we will look further at your Value Circle and come up with five “do” and “have” items to match your five values. So completing this step will make the next step much easier for you.

### **A Final Word About Values**

It’s amazing to me that so many of us can be with our partners for years, sometimes decades, and not know their most deeply held values. The fact is, there’s just about nothing that can have more of an impact on a relationship than knowing what is really important to you and your partner. Unfortunately, they don’t teach us in school how to look deep within ourselves and discover this knowledge. Nor do they teach us how to share it with the people who matter most to us.

If you have children, consider doing this exercise with them. There’s no reason young kids can’t start living life in line with their values. Think about the impact you could have on your children if you actually knew what their values were and helped make them real. Think about how much better your life would be if you had started doing this yourself when you were still a child.

There’s also, of course, a very practical reason to define your values as clearly as you can. It’s my experience that people will do more, and act more quickly, with regard to their finances when they understand how their actions relate to their values. The truth is that people will do more to protect their values than just about anything else in life. Certainly, values are a lot more powerful than any sense of obligation or responsibility. Values are not “to do” lists in disguise, nor are they New Year’s resolutions such as “save more,” “spend less,” or “lose weight.” People don’t lose their motivation or get bored with their values. Once you’ve defined your top values clearly and written them down, they almost never leave you.

Ultimately, your values are what motivate you and shape your life. In fact, they have already motivated and shaped you, whether you know it or not. It's just that now you've chosen to be more proactive about them by consciously deciding which of your values you want to focus on.

Now that your Value Circles are complete, keep them handy because we're going to use them to start figuring out your specific financial goals. But before we do that, we need to look at where the two of you currently stand financially . . .

*Because you can't plan where you want to go until you know where you are starting from.*

