

Doing the Same Thing Over and Over Again and Expecting Different Results

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INSTITUTE

EDUCATION DISCOVERY UNDERSTANDING

Eliminating Losing Financial Strategies

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You Can't Do the Same Things Over and Over and Expect Different Results

Einstein once said, "You cannot solve a problem using the same thought process that created the problem in the first place." This is true in our daily lives. Every day we face new challenges and new problems. The average person reading this may face at least two crises or major problems each year. More times than not, we find ways of dealing with and controlling some of these problems. Many times, we do not solve these problems but simply manage them, so they blend into our daily lives. In some ways, this is how our government approaches its problems. The government spends most of its time, money (our money) and most of its energy managing problems. It can use some form of semi-solution and compromises to address the problem, instead of really solving the problem.

Stephen Covey contends that a paradigm is a way of thinking. It is a map or a plan, but no matter how hard we work, having the wrong map or plan will not get us to our destination regardless of our behavior, attitude, or diligence.

Our financial success is centered on a way of thinking. It is a map to the future with a planned or, in many cases, an uncertain destination. The difference between success and failure of reaching your financial goals may greatly depend on your way of thinking and your plan. Without knowledge, a process of thinking, and basic rules to follow, you may get lost.

We Are Creatures of Habit

I am assuming many of you went to school. How many of you ever crammed for a test the night before or worked to finish a report or project that was due the next day? You know you fooled around until the last minute, knowing you could stay up all night and study for the test, or still get the project done. This thought process that we learned in our early years became part of our lives. This process of how we approached school, work, and our everyday lives became socially acceptable. The thought process that was in place at that time of our lives came down to this: How do I get the best possible score or result with the least amount of time and effort? While this way of thinking is socially accepted, in many ways, it does not give the best results.

Imagine, for a moment, that you owned a farm. Can you imagine using the thought process of "cramming" on a farm? Imagine forgetting to plant the seeds for your crops in the spring. Then you decided to fool around most of the summer with the intent

of planting seeds late in the summer, then cramming in the fall to bring home the harvest. During that time, can you imagine neglecting to milk the cows for a couple of weeks because you wanted some time off? Why is the lesson of “cramming” acceptable at school or work but not on the farm? You see, your success at school or work is based on socially accepted laws, while the farm’s success is based on natural laws.

Your financial success may be based on a thought process and on natural laws – the laws of the farm. Financial success can take a lot of work and planning. It will take proper management, planting, and cultivating, but most importantly, it may take a lot of time. You cannot continue to do the same things over and over again that you learned using social laws and expect different results where natural laws govern.

Twenty-Four – Seven

We need to pay attention to what is happening in our everyday lives. Financial institutions such as banks, credit card companies, investment and brokerage firms, mortgage companies, and the government have hired marketing companies, think tanks, and psychologists. The focus of these groups is how to separate people, you and me, from our money. These companies never rest. They are planning constantly, twenty-four hours a day, seven days a week, on how to achieve their goals. The question I have: How much time are we spending defending ourselves from these groups? Are we paying attention to how much money we are actually giving away or transferring away to these people? Many of us spend more time every year planning our vacations than we do planning our future.

Solving Someone Else’s Problem

If we continue to approach and plan for our future using a traditional thought process, we may find ourselves in a vicious cycle. We are told in order to secure our financial future we must save more. The idea here is to hope that our money will compound itself into greater wealth. There are a few guarantees that come along with traditional thinking and traditional planning. First, you will be the only one taking the risk in trying to make your money grow. Second, the person who recommended this course of action will get paid, the companies you invested in will get paid, and the government will get paid via taxes. You may be the last person to get paid, if you get paid at all. Remember, all of this is happening with YOUR money. From a distance, it may seem you are solving a lot of other people’s financial problems while attempting to solve your own.

Breaking the Cycle

You may find yourself caught up in the evolution of transferring away a great deal of your money to those who create the situation, control the outcomes, and profit from it. Let's face it: The banks, mortgage companies, credit card companies, investment firms, and the government deal with you in a fashion that they are guaranteed to get paid at some point in time. Although they may not admit it, they need you and your money to survive. It is a little funny how their marketing makes you feel that you need them. A credit card's advertisement shows a number of people paying for hamburgers with a credit card and how simple and easy life is until someone in line is dumb enough to use cash and messes up the whole flow of doing business. The social implication is that you will feel dumb for not using your credit card for that purchase or any other purchases. The goal of that credit card company may be that they hope that one of their credit card users will be late with their payment for that five-dollar hamburger so that they can assess a \$25 or \$30 late fee.

By breaking the cycle of transferring your wealth away to others, you get to keep more of your money. If someone is earning \$75,000 in income per year, and they manage to save \$5,000, they would have \$70,000 of residual income left. This \$70,000 is typically spent on mortgage payments, car payments, food, clothing, education, taxes, etc., and those payments sustain their standard of living. Like most average families, at the end of the year, the \$70,000 has been spent and there is no extra money left. Look up 'extra money' in *Webster's Dictionary*; it doesn't exist. If this person could save just 1% of that \$70,000 of residual income, it would create \$700 in savings. That savings represents a 14% increase on the \$5,000 that they *were* saving. That's right, a 14% rate of return with no market risk, guaranteed. They did not have to buy any product to do this. When people learn how to recapture transferred dollars, they can typically save more than 1% of their residual income. It is not uncommon that the average person can save as much as 5% to 7% of their residual income.

Still, traditional thinking is going about the business of trying to prove that the world is still flat, that nothing has changed and nothing needs to. Traditional thinking contends that your success in the future depends on nothing more than the right selection of slot machines of life where you are the only one at risk. The casinos of life attract a lot of people with one dream dangled in front of them; they just might win.

One might ask, "So why do we continue to do the same thing over and over again?" Well, when you look at it, we are really limited in the types of investments we can make. We can invest in stocks and brokerage accounts, qualified plans, real estate, and bank saving programs. Inside these types of programs, you can invest in a million different ways, but if asked, the typical person might respond by saying they have stocks, brokerage accounts, a 401K, etc. Simply owning something does not mean you know how it works. We merely identify them, and in most cases, financially this is all we

know. Psychologically, the average person does not like to admit that they have made mistakes, and are reluctant to admit they do not know something. This is a problem. It shuts down any thought process that may be different. The big question though is this: How can you say yes or no to ideas that you don't even know exist? How can you be aware of something you're not aware of?

You see, your economic situation is a matter of choice, not a matter of chance. Many financial decisions are misguided and are made with a lack of knowledge. Driven by fear, yet cautious of change, many financial decisions are made by default, without knowledge, and unaware of any future unintended consequences. You have had to make difficult financial decisions in your life. These decisions were made with information and knowledge you had at that time. Today, if you received more information and more knowledge, you may want to review some of the decisions you made in the past. Change can be a good thing.

Recognizing that we cannot be aware of things we don't know about can be a transformation in your thought process. In your everyday life, you may have a different perspective of things around you. You may view the way you purchase your home or autos differently. The tax savings in your retirement plans may come into question. The way you approach retirement may change dramatically. You may discover that the rate of return on your money and where it is may not be as important as how to use your money. Learning how money works may be the most important lesson of the day. Different results in your life will not occur if you continue to do the same things over and over again. We must pay attention to what is going on around us.