

CITY SECURITIES WEALTH ADVISORS

Your Life. Your Goals. Your Advisors.

August 24, 2009

Last week I had the privilege of speaking with a group at the Indiana Chamber of Commerce to address the personal finance topics most pressing to them. Before tackling the details of debt, 401k plans, mortgages and the other topics they requested, we spent some time covering the two critical things that individuals and families must accomplish in order to succeed financially. They are:

1. Creating financial margin
2. Prudently building wealth

If you have been reading these letters for a while, you know that these concepts have been addressed in a series of letters beginning early this year. New readers, including those of you I met with last week, can review these past letters at the [archive page](#) on our website. They are important concepts...so important that my wife and I find ourselves running nearly every financial decision we make through the lens of these two principles. Once you've latched onto them, the myriad of personal finance issues and questions become much easier to answer and apply. Conversely, without a strong grasp of these principles, even perfecting the nuances of personal finance probably won't put you on a path toward sustainable wealth.

To summarize, *creating financial margin* in your life simply means not relying on more than about 60% of your after-tax income to support your current lifestyle – a margin of about 40%. The margin is the clean, uncluttered white space around the edges of your life; leaving you the freedom to use and invest the margin in ways that build sustainable wealth. You can check your margin today by adding your savings and discretionary expenses, and dividing that by your after-tax income. The full article detailing this can be found [here](#).

We have expanded the definition of *wealth* to include more than just investments. Wealth can be built through your assets, knowledge, skills, property and relationships. These different resources work together to create wealth that is sustainable and purposeful – far more than just money. This article is linked [here](#).

Finally, *prudently building wealth* simply means building and creating the resources that constitute wealth without destroying your financial margin in the process – that's the prudent part. It is an art that is worth learning. The full article is [here](#).

Why bother? These two principles have a single purpose – to give you the freedom to go anywhere, to do anything, and to serve anyone. Creating financial margin produces this freedom now, while prudently building wealth serves to preserve this freedom into the future. Looking back on the thousand-plus families I have reviewed the finances of over the past 13 years, these principles are the one common thread that separates those who are succeeding at building wealth from those who struggle with the financial and relational stresses of living without margin.

This weekend I'll be heading to southern Indiana with my 5-year-old son for our first of many father-son camping trips. A similar trip has been an annual tradition for my daughter and me since she was 5, and neither of us would trade it for anything. I'm certain every dad on the trip would say the same thing.

I hope you have a great week!

A handwritten signature in black ink, reading "Kenneth R. Klabunde". The signature is written in a cursive style with a large initial 'K' and 'R'.

Kenneth R. Klabunde, MS, CFP®