

## **Reaching Sufficiency**

Over the past month and a half I've been to Cetera's national conference and a combined Impact Investing and Alternative Investment conference. It is always intriguing to find out how much more there is to learn, even at age 60.

While there were dozens of points of wisdom to draw on, I'll stick with one and expand upon it in this issue. A speaker on behavioral finance (why emotions combined with our thinking cause us to behave around money the way we do) mentioned an intriguing perspective. He reminded his audience of financial advisors that we are practitioners of "randomness and uncertainty."

### **A Bit Unsettling**

Clients often rely on advisors to build their confidence in the future. Now here was the reminder from the speaker that the future is unknown and not predictable. Ask any oil expert a year ago in August what they thought a barrel of crude would sell for at the end of 2014 and their guess would have been about twice as much as it ended up being. If you can't know the unknowable, then how can you plan and prepare for a financially secure future?

### **A Premise**

Since I can't know or control the future..... and I know that there will be random events that will act to help me and hinder me.... exactly what can I do to build financial security? Years of observing different people's financial health has led me to one boringly simple, but inescapable financial reality. When the cash flowing into a checkbook always equals or is greater than the cash flowing out, that person's finances work.

### **My Apologies**

If you are still reading this, thank you. I'm sorry there isn't something more profound and freeing to offer. After 32 years, an advanced degree and a certification in the profession, this is the very best I have to offer. If there is magic in this sufficiency equation, it is in how each person arrives at checkbook sufficiency, especially when they decide not to work for a paycheck any longer.

### **What We Can Do**

While our premise is simple, there is great complexity in creating the sources of cash flowing into a checkbook and great difficulty prioritizing and deciding what flows out. Of the two, the one that seems to have the

greatest influence on success lies in the decisions made around outflows. The person who is really good in this area can make most levels of income work. Sadly, even those with excellent inflows won't succeed, if too many lifestyle choices (demands?) overwhelm even a large amount of income.

## **Yard Stick**

While accountability isn't the most fun, those who measure are much more likely to succeed. Once a quarter my wife and I sit down and we measure our "net worth". This is the value of our home, investments, retirement accounts and bank balances – minus – our mortgage balance (our only debt). This compared with the results from three months earlier tells how we are doing, a measure of our financial health. While this is a numeric process and fluctuations in the markets can impact the results, it does work magic in helping us stay focused on controlling outflows from the checkbook. We are just as subject to randomness and unpredictability as everyone else. However, we seek to measure and influence the things we can.

## **Bottom Line**

Our behavioral finance speaker provided a quote that I found fascinating: "Everything that has ever happened had never happened before." Similar things may have happened, but perhaps not in exactly the same way. I bring this up to provide each reader with encouragement. If your checkbook has only randomly shown signs of sufficiency, there are things you can do to reduce the unpredictability of it reaching that desired condition for every future period of your life. It will take some planning and some effort and we are here to help you accomplish that.

## **Your Feedback**

I would love feedback on this newsletter. Future issues may include a host of good ideas, insights, specific steps to take financially, life insights and of course "Wit and Wisdom". Most importantly, I'd like it to be of value to you and to encourage an exchange of great ideas and insights. Please send your feedback to:

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