

Adam Smith Advisors

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ADAM SMITH INSIGHTS:

Published by Keith Tuft, President of Adam Smith Advisors, LLC, with insights on investing and wealth management.

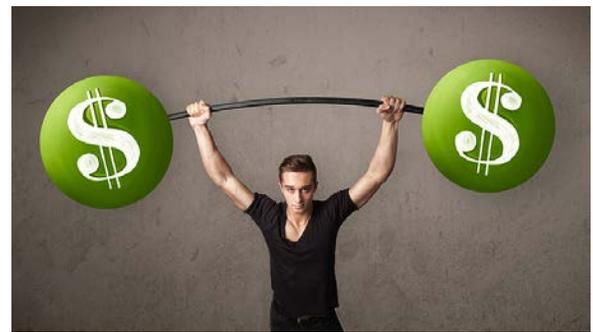
INVESTING QUOTE OF THE MONTH:

“Whether you think you can or you think you can’t, you’re right.” — Henry Ford



FINANCIAL FITNESS AND PHYSICAL FITNESS

Many people make New Year’s resolutions to get in better physical shape by exercising more, and/or going on a diet to lose a few pounds. Others commit to financial fitness by trying to save more (and spend less) in the coming year. These are both very worthy goals. The long-term benefits of improving your physical and financial fitness are enormous and worth the effort. The secrets to success for both of these goals are very similar. Both goals take a serious commitment, a positive mental attitude, and daily self-discipline for a long period of time. They both require a permanent change in lifestyle. Short-term diets and short-term savings plans do not work. Achieving success with either of these important goals is difficult, and many people are not able to stick with a plan long enough to make a positive difference in their lives and their future. Why not?



I see all kinds of people attempting to improve their physical and financial fitness on a daily basis. I am an investment advisor/financial planner who also competes in triathlons. I am at the health club or outdoors swimming, biking, or running first thing in the morning nearly every day. Every year I notice how crowded the gym is during January, and how quickly the crowd gets back down to normal around March. Sixty seven percent of people with gym memberships never use them. Why can’t people seem to stick with a workout routine over the long haul? Because it is difficult, and often involves pain, sacrifice and time. People are busy, stressed out, don’t have a plan, don’t have a coach, it’s not always fun, or they aren’t really committed to it. What are some helpful tips to help people increase their odds of success with physical fitness?

1. Make a serious commitment to achieving a specific goal, and share this goal with your family and friends publicly. “I will run a 5K running race on July 4.” “I will lose 10 pounds by June 1.”
2. Have a specific and realistic plan. Commit to working out a certain number of days a week, eating healthier, and/or losing a certain number of pounds per week, and stick to it. Keep track of your workouts and progress in writing. Once you see gradual improvements and progress, it will become self-motivating. Celebrate small successes along the way, and communicate them to your family and friends. Don’t try to do too much too soon.
3. Get a workout buddy or coach. Having someone to share the goal with always helps motivate you, and if you are meeting them for a workout/run/walk that starts at 6 am you can’t sleep in. Sign up for classes (spinning, yoga, Zumba, etc.) that you enjoy. Join a running/biking/walking group. You will likely meet people who share your goals. If you are really serious, hire a coach.
4. Do the type of exercise that you enjoy, whatever it is. You are much more likely to keep it up if it is something that you enjoy. Mix up your type of workouts/exercise to keep it interesting. Eat the healthier foods that you like, and treat yourself once in a while.
5. Sign up for a race, competition, or event. Most people never push themselves physically anywhere near their full potential. A race or competition allows that to happen, and gives you something to look forward to and to train for. It keeps you focused on the goal and committed. I race as often as I can (usually every other weekend in the summer), so I always have something to look forward to. I love racing. Try something new. Challenge yourself. Have fun with it.

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When you commit to physical fitness and a healthier diet, you will be amazed how much more energy you have and how much healthier you feel and look. You have to go through the pain and sacrifice to see the results. No pain, no gain. Start out easy, and work your way up. You can do it.

Achieving improved financial fitness can be done with many of the exact same strategies. Are you (and your spouse) naturally a spender or a saver? If you are saving at least 15%-20% of your after-tax income I would consider you a good saver. We know several “super-savers” who are saving 50% of their after-tax income each year. They are saving equally as much as they are spending each year, and they are in great financial shape. These are the Cross-Fit or Ironman champions of being financially fit. Improving your savings rate each year is probably the single most important factor that is in your control and can improve your financial fitness over time. What are some tips to improve your financial fitness?

“Improving your physical fitness and financial fitness can improve the quality of your life now and when you are older.”

1. Make a serious commitment to achieving a specific goal. “I want to save at least 20% of my after-tax income and be financial independent by age 62.” Make it a joint commitment with your spouse if you are married. Celebrate progress along the way. Make it a team effort.
2. Have a specific and realistic financial plan that shows you exactly how it is possible for you to achieve your financial goal. Run the numbers. We run financial plans for families out to age 90+. Keep track of your savings each month. Automate your savings so it comes out of your paycheck or bank account automatically. Get the full match in your 401K plan at work. Save the target amount of money first each month, and spend the rest, not the other way around. Increase your savings rate by 1% (or more) each year.
3. Get a coach (financial advisor) to help you map out a financial plan, and meet with them once a year (or more) to track your progress and help you stay committed to the plan. Adjust the plan along the way as things change, but stay focused on your important, long-term financial goals.
4. Commit to investing and saving through thick and thin every month. Don’t stop investing and saving during a stock market correction when things seem the scariest, as that is when stocks are typically the cheapest and most attractive. No pain, no gain.
5. Spend your money more wisely and more carefully. Spend money on the people, things, and experiences that truly make you happy and that you will actually use on a regular basis. The people we see that have spending problems generally are buying things for image or status, spending too much on residential real estate, borrowing too much money, and spending lots of money on things (cars, boats, homes, country clubs, etc.) they hardly ever use. The recent news about Johnny Depp’s financial troubles comes to mind with his 14 homes. He was spending \$2 million per month, something even he can’t afford. Cutting your monthly overhead back to a reasonable and manageable level will allow you to save more, and sleep better at night.

Improving your physical fitness and financial fitness can improve the quality of your life now and when you are older. Both will likely lead to improved mental health, more energy, and less worry about the future. Being more physically fit and a healthier eater can help you down the road financially with fewer prescription drugs, doctor visits, and surgeries. At Adam Smith Advisors, LLC we are committed to helping our clients develop and stick to a long-term financial plan that helps them achieve their goals. We act as the financial fitness coach for our clients. Be healthy and physically and financially fit for the rest of your life. You can do it. We are here to help.

Adam Smith Advisors, LLC (ASA) provides unique wealth management services for a select group of client families to help give them peace of mind. Author Keith Tufte, (CIO of ASA) has over 25 years of successful investment management experience as a Wall Street Analyst, Mutual Fund Portfolio Manager, Director of Equity Research for a major mutual fund firm, Hedge Fund Portfolio Manager, and Wealth Management Advisor. Please FORWARD this e-mail to friends/relatives/business associates that you think may have an interest. Please see our website at <http://www.cherrytree.com>.

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