

Omission versus commission

Was that it? The holiday appears to have disappeared overnight and here we are, already well into the new year. I did not even get time to contemplate the past year, let alone plan for the new year. "Time" certainly seems to be speeding up, unless this is just me getting older.

The new year brings with it the obligatory list of new year's resolutions. I suppose this is us trying to slow things down by drawing a line between last year and the new year.

Getting fit is one of the most common resolutions, which starts with a fitness assessment. Only once you know your current level of fitness, can you plan on what you want to achieve and how you are going to achieve it. And it is the same for most resolutions; if you plan to lose weight, you first need to know what you currently weigh before setting your goal weight and then planning on how to lose the weight.

Financial fitness starts with the same process of establishing your current financial position before setting goals and then only implementing an action plan to

achieve the objectives. A financial assessment starts with the preparation of financial statements. You need to draw up a personal income and expense statement, and a balance sheet.

This is not rocket science so do not be put-off by the scary financial terminology. An income/expense statement is simply a record of what income you generate versus what expenses you incur. The easiest way to determine this is to draw a bank statement, which should reflect all money coming in and all money going out.

The balance sheet is just an asset and liability register recording what assets you own versus what you still owe, thus reflecting your net asset value.

The statements will quickly expose any financial problems like expenses exceeding income and debt excessively exceeding assets. If your expenses are greater than your income you have two options: either grow your income (commission) or cut your expenses (omission).

The only way to achieve financial



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security is for your income to exceed your expenses, which will grow your net asset value by either reducing your debt or adding to your asset base.

Sadly, most people do not have the self discipline to stick to their new year's resolutions, which is why they need a personal trainer or personal financial advisor to ensure they commit and stick to their plans.

Good luck with your training and saving. – www.mwwealth.co.za