

THE PRIORITY PYRAMID

Getting a handle on your money can be overwhelming. There are so many areas to think about when it comes to personal finance, and many of them are completely BOOOOORING. Still, there are huge benefits to taking action – tangible benefits like more money to pursue what you want in life, and intangible benefits like less stress about the future. So, where do you start?

I have developed something called the Priority Pyramid. It is a riff off of Maslow's Hierarchy of Needs. The noted American psychologist asserted that human beings would meet their physiological needs at the bottom of hierarchy (What am I going to eat RIGHT NOW?) before meeting their self-actualization needs at the top (What is my purpose in life?) The same thinking applies to your money. What do you need to do FIRST?!



Consider Hasham's case: His dad keeps talking to him about investing his money for his future, blah, blah, blah. (Ya' gotta love Dads) But before he can even think about the investment performance level of the pyramid, he needs to get a handle on his cash flow. The reality is that he answered "no" to the first level – he is not earning more than he's spending. His #1 priority is to start by earning more and/or spending less.

Sue had a few more yes's for her circumstances. She's earning more than she's spending. She doesn't have a balance on her credit cards, and saves 10% of her pay cheque every month, and that money goes directly into her RRSP. But when it comes to the investment performance level of the pyramid, her answer is definitely "no". She has never actually looked at her investment performance. So for Sue, a call to her financial advisor to look more closely at how she's been performing is what her #1 priority needs to be.

What is your #1 priority? What do you need to do first? Review the graphic and answer each of the questions for yourself. If you answer yes, move up to the next level. If you answer no, there is your answer: You need to get started with the level you're at.