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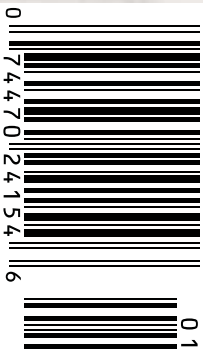
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JUSTIN KRANE



Justin Krane founded Krane Financial Solutions in February of 2008. He is a Certified Financial Planner™ practitioner and President of Krane Financial Solutions. Prior to founding Krane Financial Solutions, Justin was a Vice President of Investments at a major Wall Street firm.

Using a unique system of financial psychology, Justin has developed a unique goal-based financial planning process. He partners with you to identify and clarify your goals, and advises you on what you need to do to reach them.

Justin is an accomplished athlete and was a former junior ranked tennis player in Los Angeles. He is also a member of the Financial Planning Association, www.fpanet.org, the largest organization of professionals dedicated to championing the financial planning process.

Justin is married, has two children, and lives in Calabasas.

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How To Enjoy Your Money

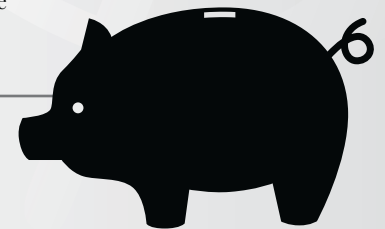
THE BALANCE BETWEEN SAVING AND SPENDING

Do you ever feel like you are living in the movie “Groundhog Day” with Bill Murray? You wake up, go to work, go to the gym, go home, go to bed, and start all over in the morning. Working so hard at saving, you simply aren’t living. What a grind!

Does that scenario sound familiar? If so, take heart. You can trade in that scenario for this one: You’re working hard, playing hard, and love your life! You know why you’re spending, you’re in command of your spending, and you enjoy seeing your savings grow.

This is the preferred scenario, isn’t it? You can do this – by finding the right balance between your spending and saving, and creating a plan that reflects that balance. In this article, I’ll show you how.

Finding the balance between spending and saving can seem overwhelming, but if you develop a logical plan, it can pay enormous dividends. You will be happier, feel more alive, and be more engaged in life.

**Part 1: Saving**

Your savings plan must have clearly identified goals. Write down the specific things you are saving for and why. Try saving 15-20% of your gross income. Create an automatic electronic funds transfer from your checking account to fund the following three savings accounts:

1. Emergency Savings Account
2. “Fun” Account
3. Longer-Term Goal Account

Your first account should be titled “Emergency Savings Account.” It should cover 4-6 months of your living expenses. Do not invest this account in stocks or bonds. Because you may need this money at a moment’s notice, you may not have the time to ride out the volatility that comes with an investment portfolio. Keep the funds in a money market account or short term CD.

Label the second account “Long Term Goals,” which will include a variety of objectives such as retirement or college education for your children. Review your risk tolerance (how much volatility you can handle in dollars) with your financial planner. It will help you and your planner develop an investment mix that is suitable for you in light of your goals.

The final savings account is your “Fun Account.” This will be the money that you use on things for today. Before funding this account, you must fund your Emergency Savings Account. Write down ten things you would love to buy or do for yourself. Use this account to spend money on vacations, clothes, or an interest that resonates within you. Do not invest this account in stocks or bonds for the same reasons mentioned above. Keep it in a money market account or a short term CD. Equipped with this savings plan, we can now proceed to create your spending plan.



PART 2: SPENDING

Step 1: Write out a list of all necessary spending. For example food, utilities, mortgage/rent, car payments, gas, etc. Identify how much you usually spend on each item. Do not include anything budgeted for discretionary

spending like a vacation, shopping, or Saturday night dinners. You now have your monthly spending for life necessities. Note: Try not to spend more than 30% of your gross income on your mortgage, property taxes, and homeowners insurance.

Step 2: Write a list of all of the discretionary spending and how much you usually spend on each item. Some examples of discretionary items are vacations, a personal trainer, shopping, dinners out, and the like.

Step 3: Identify what your annual after-tax income is expected to be for you and/or your spouse.

Step 4: Subtract your spending from your income.

Step 5: Establish the right balance. Whatever is left is the amount that you can decide to spend or save. You’re now ready to go through different saving and spending scenarios to determine what breakdown between saving and spending makes the most sense for you. If you are unable to save anything for your future, then you will need to cut back on discretionary spending items. To do that, rank your discretionary expenses in terms of their importance and their relevance to your long-term goals, and only spend money on things that mean the most. You may need to make some hard choices, but will feel better about your decision to fund only what’s most important.

Remember, the goal is to find a balance of spending vs. saving so that you can enjoy your money now AND later. Talk about your spending and savings plan with your spouse, financial planner, or a trusted friend. The more you talk about it and discuss it, the more clarity you will have about how you are saving and spending your money. You’ll spend money on the things that truly align with your values, while ensuring that you are saving money for your longer term goals. And chances are that you’ll live a richer life in the process! ☺

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