**STEP BY STEP WITH MONEY – THE FINANCIAL BALANCE OF YIN AND YANG**
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Last week I recommended that we should have a WHY for our savings from coffee in the jar in the bathroom. This is week 26, I want to provide you with suggestions for your WHY. **Please you're your own personal financial advicer on any financial suggestions you decide upon**.

Before we begin, let me share my view of the Yin and Yang of finance. All things have a gestation period. For example, a baby takes nine months before it is born. This is a law of nature, we must wait nine months to hold the baby. Our WHY and financial goals have a gestation period. The length of time is an inner game journey. Even globalisation and government control over its citizens have a gestation period.

Many years ago, and before my time, an international movement developed to achieve globalisation and more government control on the one side. Let's call this the Yang, the male dominating force. On the other side is the Yin, the female inner transcendental forces pulling people out of the 40-40-40-year plan towards spiritual freedom followed by financial freedom.

An example of globalisation and government control can be seen with the development of the Euro, the Yang. While, on the other hand, spiritual freedom and financial freedom raised it's head (at least in the USA and other Western Countries) through the 'flower power' movement in the 1960s, the Yin. Some of us may remember words such as 'all we need is love' and songs by Joni Mitchell etc.

We may be thinking what does globalisation, government control and flower power have to do with selecting my WHY for coffee savings. The answer is everything. This is because globalisation, government control and the freedoms sought through the flower power movement did not happen overnight. It took many decades for the creators of globalisation and government control to bring the Euro to the market on 1 January 1999. The spiritual freedoms that developed from the 1960s became mainstream three to four decades later. Now, many of us do not think twice about the massage parlour, yoga or tantric studio down the road.

Whether it is globalisation or spiritual freedom, both take time to develope and be accepted. Each has its own gestation period. In my view, achieving our WHY and financial goals is the same, it has a gestation period. We need to recognise that saving money may feel uncomfortable, especially when we have never done it before, the Yin. What may be even more uncomfortable and scary is choosing how to invest our savings, the Yang.

In the Yang, we may never have purchased shares before. Words such as 'share price', acronyms like 'YGYi', 'NZD', 'NZX' may be foreign to us. While in the Yin, we want to retreat to safety and comfort because all this Yang, 'what share price are we buying at', 'who is our stock broker' are being thrown at us. If we remember our gestation period and that we're learning, we can manage this Yin and Yang of finance and with gestation become familiar with the language and how we feel about it, our Yin.

Below is an introduction to ways to invest our coffee money.

**Cash**
We could retain your savings in cash. With most people buying stuff and being stretched financially, if we retain our cash we should retain freedom. This is because if the market has a downturn and everyone else is scrambling to offload assets, we should be able to buy those assets at a good price with our cash.

**Shares**
In brief, a share is a bundle of rights. Before buying any share, we should review the rights we are buying. For example, do we have a right to vote at the general meeting of the company (e.g., we can

vote on the directors' salary or the direction of the company – ethical investments), the right to receive a dividend (our income from ownership of the share) and the return of our capital (i.e., the amount you paid for the share). We may want to follow this simple rule with shares. Remember do your own research, information is key. The rule is when interest rates are low and inflation is low, many people tend to buy shares and share prices increase. The danger with the high share price is that it may be based on hype (but this may not be with all shares). However, when interest rates rise, people tend to sell their shares and place their money on deposit with a bank. Thus, as interest rates rise, the price of shares drops and the stock market falls.

The income we receive from holding shares is called dividends. Our research should include an analysis of the dividends being paid. The income tax implications of dividends should be taken into account to determine our rate of return. For example, a dividend may be declared which entitled us to $1,000 but pay tax at 33% tax, thus we only receive $670 ($1,000 - $330 tax). Our net return of $670, not $1,000 should be compared to the amount of risk we want to carry with our purchase of shares.

Please note that I am not against owning shares, we should just be well informed. Let me know if you want further analysis of shares.

If our risk profile for owning shares are too high we may want to stay with cash or look at bonds (government bonds).

**Bonds**

A bond is a type of debt, where we are the lender. Some of us may have heard the words debentures or preference shares. They are all types of debt. A company or government may need additional cash. The company does not want to issue shares to the public so they offer company bonds. A government will offer government bonds to raise cash. Bonds (in my view Government bonds) are generally safer than shares. If we buy a government or company bond then the government or company will pay us interest on the money they borrowed from us. The interest paid to us is generally more than what we may receive from dividend payments from our share ownership. There may also be tax advantages.

A positive with a government bond is that if the government runs out of money they may print more to pay us the interest they owe us. Our money may be worth less but at least we will have cash for other investments. Further if the economy is slowing and the market is tight, a government or company may restructure its debt so that we will have to wait to be paid back capital amount, however, we should be paid our interest.

**Term Deposits**

Most of us should be aware of term deposits. Depending on the country, the government will guarantee the deposits. For example, the Australian government guarantees deposits with major banks up to a certain value. Unfortunately, this is not the case in New Zealand. Given the history of the global financial crises, the better view is that in the next financial crises many governments are likely to guarantee deposits and not allow big banks to fail.

Investments can also be made in real estate and land; however, they are more complicated and can be discussed at a later date.

**Further analysis**

If anyone has any further questions or comments, please pass them on and I will gladly answer them, thank you.