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## Cash Management for Prosperity

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### In Focus

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Cash flow from labor and investments represents your “abundance,” the resources given you to sustain yourself and, arguably, to help others. If you consider your income’s purpose to be for “the highest good of all” then you may avoid the “Midas trap” that afflicts people who can never get enough for themselves, no matter how much they might have.

As a humble example, prior to getting married for the most recent time in 2006, I was living alone in an apartment in Brasilia. I had an abundant cash flow for my immediate expenses. I could save and invest a large portion of my cash flow. Then came an instant family – a non-working wife and three young children, ages 2, 5 and 8. Immediately, my expenses changed notably. Instead of using the bulk of my money for myself, it soon went to the family. Am I richer or poorer for the experience?

No question that I am richer. My income has increased to meet my needs. The love in my life has multiplied several fold. What more could I ask? I began to get a bit frustrated because I was not building my retirement/emergency funds quickly enough until an affirmation came into my sight. “Seek not permanent wealth. Seek only to meet your daily needs.” My entire financial planning foundation was turned upside down – so I thought. But the take away for me in that affirmation showed me that fully living for today while providing for “tomorrow” without stress is “the highest good of all.” How do I go about arranging my finances for prosperity and abundance?

First and foremost, I visualize myself as financially abundant and free now, not some time in the future. Now is the only moment in which I can act, though I recognize that what I do now can have profound future consequences. Seeing myself as “whole” and with abundance (all of us have income to dispense) makes me confident, happy and ready to take the steps which will bring my vision into material reality. What are these steps?

First, I set some financial goals. I must say that I’m not a mechanical goal person. I believe that setting goals can actually be limiting. But I do keep a rough idea of where I want to be in 5, 10 and more years. How do I measure progress? I do an annual net worth check. I simply add up my assets (what I own) and subtract my liabilities (what I owe). The difference is my net worth. I track my net worth from year to year. However, I do not fret if one year or another the net worth does not grow as I may want it to. Instead, I seriously look into what happened to “depress” the growth. If a change is needed, I make it.

How do I direct my cash flow toward the things I really consider important – not what happens to please me today? I need to “pay myself first”. This means that I must fund my priorities (needs) before spending on wants. Priorities include both long and short-term items, like retirement funding, emergency funding, school funding, vacations, etc. It may be appropriate to use credit card debt for vacations and large purchases so long as the balances are kept only for a short time. Credit card balances can quickly get out of control if left to grow unchecked!

Pay your priorities from each check or in the manner you prefer – but pay them each and every month. By doing so you will be saving to meet the needs that you have considered important in a sit down planning session with yourself.

This planning session need not be complicated or formal. It need only serve to elicit what you consider important for living now and in the future – maybe even with an “end of life” long-term focus. Retirement and the end of life may seem a long, long way off for many of you, but it will surely come. If you begin planning early in your life, you may take advantage of the “eighth wonder of the world,” compound interest. Space is too short here to discuss the merits of compound interest. But – please – do yourself a big favor by doing an Internet search under the term “compound interest.” You will be surprised, amazed and your life may be irrevocably changed for the better.

What do I do with the money left over after I’ve funded my priorities (paid myself first)? I divide these funds into two major groups: tax deductible expenses and non tax deductible expenses. For the former I need a record to show an account and the IRS. For the latter I need nothing, save to satisfy my own curiosity. If you itemized deductions, you need to record how much you spend for property taxes if you own a home/condo, for mortgage interest, for other deductible interest such as an equity line of credit, charitable contributions, casualty losses, medical and dental expenses and so forth. It may be helpful to have two bank accounts, one for all inflow and for the tax deductible items (not always predictable) and one for “everyday” expenses like food, Internet/telephone, clothing, car expenses, pet expenses, utilities and so on. For most people these things are not deductible from taxes. Use a debit card for each account if you wish. When the balance in your “everyday” account is exhausted, you know you are in danger of going over budget, even though you are not tracking each and every expense.

It’s a good idea to estimate the tax deductible expenses for yourself. It’s also a good idea to include an “emergency fund” under pay yourself first – money for unexpected emergencies like illness, a relative’s funeral and so forth. Emergency funds, since they are not likely to be used in any particular period, may be invested in brokerage accounts so long as investments are reasonably liquid and easily sold.

Be sure to consider the needs of others in your planning, whether they are family or community. There is a wealth of literature on prosperity and abundance which shows that viewing your income and wealth more as a steward than an owner actually multiplies the total. Removing fear is another critical component of building lasting and abundant wealth and income.

If you follow the simple steps outlined above, you will surely be applying your income toward the things really important to you, not what you encounter this day competing for your attention and tweaking your emotions. In fact, the whole purpose of the plan I outline above is to remove day to day tugs of war and immediate gratification from the overall picture of your economic life. But only you can decide what is necessary and, by implication, what is unnecessary.

Enjoy the process that you might live in abundant happiness. Thank you for investing with us.

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