

Are you driving your car on one wheel?

Published on Mon, Apr 27, 2009 at 15:34 , Updated at Mon, Apr 27, 2009 at 16:22
Source : moneycontrol.com

Reena and Rahul's wedding gift was a new car. They were really excited about it. Both of them had had several dreams about car. Thoughts were of driving the car, its maintenance, washing and cleanliness etc.

Upon returning from their honeymoon first thing Rahul did was to rush to the car. He sat next to the front right wheel and tried moving it. He tried very hard but unfortunately car did not move. Next day, Reena casually mentioned about it to her colleague in office who was 'well experienced' in moving the car. She gave some real insights. Reena knew exactly where Rahul had missed out. Moment she reached home, she went to the car. She now knew that if the car has to move then the rear left wheel has to rotate. That is the trick. She put in lots of efforts. Her clothes got dirty but car did not move. That evening on TV there was this new show on 'How To Move Your Car'. Both Reena and Rahul finished their dinner early and sat down to watch the show. Reena had kept paper and pen ready to take down notes. The show gave tremendous insight about how critical is the front left wheel for moving the car. After the show, both Reena and Rahul went to the car. Again lots of efforts to rotate front left wheel and again same result. Next few days Rahul was traveling for work. Reena also had important Seminar. Finally on Sunday they picked up some real good magazines which gave tips on moving the car. Magazines had nice Q&A where queries of readers were answered. After reading all of them they realized their mistake. The fact of the matter was that if car has to move then rear right wheel has to move. Post lunch they both went to the car and tried moving rear right wheel. By this time their enthusiasm had disappeared. When car did not move, they just shrugged it off. In coming months they would once in a while try to move the car by moving one of its wheels but that would not yield result. Finally they started blaming it on destiny. After all, they were really putting in lots of efforts and hard work to move the car.

Does the above story sound weird?

Let me rewrite it for you.

Reena and Rahul were really excited about their marriage and life together. Both of them had several thoughts and plans. One of their plans was to create lots of wealth. First thing upon returning from honeymoon Rahul did was to list down expenses. He was very clear if wealth has to be created then expenses must reduce. They started living frugal life for some time but over the months it did not yield desired results. When Reena mentioned this to her colleague in office, she said real trick is to increase investment. Investment is key to wealth creation. Reena was convinced. Unless money is not invested well, their wealth tree will never grow. Their concentration was now on investment. Again some time passed but there was no major forward movement. When they heard of the show "Debt the wealth death" they knew what was killing their wealth. Once again focus was to eliminate entire debt. In next two years all their debt was paid back. Yet they did not see enough wealth. At a friend's party one of the neo-rich was explaining his success story. How only by earning lots of money he could live a fancy life. He splurged regularly. Also had some borrowings etc. however all this did not bother him much because he was earning much more. Reena and Rahul were slowly losing hope of wealth creation. However they now decided to increase their earnings. They both switched to high paying jobs. Alas, their balance sheet was not growing.

Does this story make sense?

Relate both stories and you will know why wealth is not being created.

If a car has to move all four wheels of the car have to move simultaneously and in the same direction – they have to be synchronized. If wealth has to be created all four wheels of finance; income, expense, assets (investments) and liabilities (borrowings) have to be synchronized.

More often than not, we focus on each aspect in isolation. Based on what our friends and colleagues say or what we read or what we hear in social gathering, sometimes we focus on reducing debt. Suddenly we read something and focus shifts to investments. If expert on TV show says reducing of expenses is key to wealth creation, we prepare 'money saving plans.' Unfortunately none of these last for long.

To create real long term wealth all the efforts have to be simultaneous and most importantly continuous.

Family budget will help gauge income and expenses. Balance-sheet will show us assets and liabilities. Treat them as two axels of car with wheels at each end.

If all four wheels of car move in synchronized manner, car will move ahead effortlessly. Ignore any one and you will end up working hard but without much forward movement.

Wealth creation and preservation is about moving all four wheels simultaneously and in a synchronized manner.

- **Gaurav Mashruwala**

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