

Financial Freedom Planner

I hope you have downloaded the Financial Freedom Planner, if not, you can find it in the download section.

Let's have a look.

You will start with your current age; I am going to say 29. You will put in yours, of course.

Then, what age do I want to be financially free? For this example, I am going to say when I'm 40; you will type in whatever age you want to be financially free at.

I will not recommend less than 5 years especially if you have a high goal unless you already have a lot of wealth creators' skills.

You can also refer to this age as your "Retirement" age.

It will simply mean that I have 11 years to reach my goals of becoming financially free.

Then you have to put in the projected inflation rate. We like to work on the 10 years moving average. If you think it needs to be higher or lower, you can change it; 7%.

The first thing you need to decide on is what would be a reasonable amount for you to retire with per month.

That will then be your monthly income goal. Now, this is simply the income that will be enough for you to live comfortably with today's value.

Let's say you are already making a passive income of 50,000 per month, but you want to take that up to 80,000 per month.

Here at your monthly income goal, you will only put in the additional 30,000 pm because you already have 50,000 passive that will already be linked with inflation, so you only need an additional 30,000 to get to your goal of 80,000.

Now, for this example, I am going to take R25,000 pm. By the way, 25,000 will put you in the top 1% already in terms of the average standard of living in South Africa.

Now If you are already making R80,000 per month and you want to set this to R100,000, remember this is your financial Freedom Planner, and you are free to do so.

If we put in our monthly goal, we will get a yearly goal in today's value, in this case, it will be R300,000 per year.

I am going to work on a 10% cap rate, and once you are done with this program, you will see how easy it is to get 10% yourself.



If you do not know how to determine a property's cap rate, I've included the formula in the download section.

So this simply means that if I can buy a property cash today for R3,000,000 and I can get a cap rate for that property at 10%, I will get a monthly income of R25,000 pm. And that will of course grow with inflation over time.

But I don't have R3,000,000 to buy a property cash today, but luckily still have 11 years before I am planning on being financially free or retiring.

So I would like to know what this property that's R3m in today's value will worth in 11 years' time.

Let's assume that the property will grow at the same rate as inflation at 7% over the next 11 years.

So instead of needing 3m today, I will need R6,314,555.86 in 11 years' time to get a monthly rental income of R25,000 in today's value.

Now, the question you need to ask yourself is, how much can you invest monthly for 11 years to get to your goal, in this case, R6 million?

The best way is to go and do your budget and see what you have available. In the download section, we've attached an excel spreadsheet that can help you with your budget.

Remember, we are following the Wealth Creators Strategy which is the intelligent use of limited resources to get from where you are to where you want to be in the shortest amount of time with the least amount of risk.

So to make sure we take as little financial risk as possible, I am not going to invest let's say R6000 pm; I'm only going to invest R1000 out of my own pocket each month.

And that means that the R1000 pm will have to grow effectively at 52.18% per year, for 11 years, if I want to get to my goal of 6m.

That 52.18% will then become my financial Freedom Growth Rate or in simpler terms my benchmark.

Just a quick side note, A lot of people get confused at this point; most don't understand how only investing R1000 at 52% can possibly get you to your goal. But in module 03, I will clear up any and all confusion you might have.

So if you are confused, don't worry about that too much, we will get to it.

Now, this is all fine and well, but what does it have to do with property?

Well, this is a simple way to determine if this property will be a good investment or not.



If you are looking to buy a property and that property's growth can't outperform your FFGR (your benchmark), it's not the right investment for you.

Action Steps

If you have not done so yet, go and do your budget, and see what surplus you have available each month, and see what the least amount you can use to reach your Goal is.

Once you have your FFGR or your benchmark set, you can now go and determine what property you can buy. But let's talk about that in the next lesson.

