

**YOUR  
MONEY**  
*Personality*



# YOUR MONEY *Personality*

**UNLOCK** THE SECRET TO A RICH AND HAPPY LIFE

Liz Koh



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To Anita, Tara and Marisha, my three beautiful daughters, who have been my motivation and my joy. Thank you for the sacrifices you have made so that I can fulfil my dreams.



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# Before we start...

IF YOU HAVE PURCHASED THIS BOOK, OR EVEN BORROWED it from a friend, congratulations! You are clearly a person who wants to maximise your money, live life to the full, and not just dream dreams but *make them come true*. The good news is, you're already halfway there. By learning to understand your money personality, and following my advice about how to manage and invest your money, you will be amazed at what you can achieve. This book's not pie-in-the-sky – it's based on my years of experience helping clients realise their dreams. **People just like you.**

This book can't change your life – only you can do that – but it can get you started on a whole new way of looking at money that will increase your wealth dramatically, and take away much of the stress and anxiety many of us experience in dealing with our personal finances.

Right now you may be thinking that the amount of wealth you will create in your life will be based on how hard you work, or how much money you start out with. This is, of course, partly true. But what really counts – and can make you a winner – is your attitude towards money and how keen you are to 'play the game'. I call this your money personality, and in years of advising people how to maximise their money I have come to realise it is the single most important factor in wealth creation.

Many books on wealth creation have been written and read. Some people buy numerous books and attend numerous seminars, yet the books and seminars make no lasting impact on their ability to create wealth. That's because they fail to take account of the vital role their individual money personality plays in the wealth-creation process.

Your money personality is the result of a number of things:

**The lessons you have learned about money from other people, especially your parents and other close family members.**

**Your experiences with money, both as a child and an adult.**

**Your stage of life.**

Understanding your money personality is the key to understanding not only how you can make more money, but how you can take better control of it – and, most important of all, enjoy it more.

In this book, money and wealth are treated not as ends in themselves, but as the means to ends – the way to fulfil our life goals.

Many of us go through life feeling constrained by money. Why? After all, we work hard to get it. It should enable us to live the life we want, rather than setting limits on what we can do.

A few years ago I had as a client a recently retired, very successful businessman. George had emigrated to New Zealand from Europe when he was around 20 with little more than a few coins in his pocket. Through hard work and shrewdness, he had achieved his lifetime goal of acquiring ten million dollars in assets. On his retirement, he had cashed up his business, bought a nice new house and put around nine million dollars in the bank.

So he was brilliantly set up, right? Wrong. Having worked so hard to build up his assets, George was fearful of losing any of his money. The frugal habits that had helped him create his wealth were preventing him from spending it. After two years in retirement, he still had no idea what he wanted to do with his money. In fact, it had become a huge problem to him. He knew that putting it in the bank was safe but he also knew it would give him a low return. However, he didn't know what else to do.

So how successful was George really? He had been so focused on money as an end in itself that he had neglected to derive the full benefit of his wealth. There was now a real danger that his life would end before he was able to do so.

An obvious first step for George was to think about what benefits he wanted to receive from his money. What purpose could it serve in his life?

Being clear about the purpose of money in your life won't just help clarify what to do with it once you have it: it will also give you the motivation to manage your money better and do things differently.

And if you want to change your life, you need to change your actions.

If you do what you have always done, you will get what you have always got.

CASE STUDY

Helen and John came to see me because they were struggling to keep up with their financial commitments, despite having a combined income of around \$150,000. These commitments included a large mortgage on a house in a top suburb, private school fees for two children, annual overseas holidays and a lavish weekly food budget. In short, they were living beyond their means.

Despite having been married 15 years, Helen and John still managed their money separately, and as a result neither took overall responsibility for their financial affairs.

It was clear from talking to them that they had very different money personalities. John had a conservative approach. He was uncomfortable with having a large mortgage and felt the couple's priority should be to reduce their debt. He didn't feel the need to live in luxury, but wanted to live a simple life with few possessions, no debt, and enough income to enable him to develop his writing talents by working only four days a week.

Helen, on the other hand, wanted her children to be able to experience the best that life could offer – an excellent education, a large, comfortable family home in a prestigious neighbourhood, and regular overseas travel. Her own parents had struggled financially and she was determined that her children would not suffer the hardship she had as a child. Helen's view was that it was all right to keep increasing the mortgage if the money was being used to give the children a better life.

The tension between John and Helen was immense. Without making drastic changes, they would have continued on through life, constantly arguing and struggling to make ends meet. Instead they set up a new structure for their bank accounts, agreed on a budget, and prioritised what they wanted to spend their money on.

The key was, first, learning to understand and accept each other's attitudes to money and figuring out how conflicts could be resolved; second, establishing clear financial goals and a plan to achieve them; and, third, taking action to make the necessary changes.

This book will give you the tools to do what Helen and John have done. You will learn how to be smarter with your money, and make the best use of the financial resources you have in order to achieve your life vision. You will discover the things in life that are important to you, and devise strategies to achieve them. And if you have a partner whose attitude to money is different from yours, you will find ways of working together more positively and successfully.

Remember, the more you want out of life the more focused you will need to be, the more changes you will need to make, and the more risks you will need to take. Perhaps you just want to have enough money to retire on. Perhaps you want to be able to buy luxuries from time to time without worrying where the money will come from. Or perhaps you want to make a million dollars within the next ten years to achieve some really ambitious goals. Whatever your desires, this book will show you how to achieve them.

Before you begin, though, you need to commit to taking action and making whatever changes are necessary, starting from now.

## So, are you ready?





# Money and personality

IN MY CAREER AS A FINANCIAL ADVISER I HAVE MET PEOPLE from many different walks of life and in greatly varying financial circumstances. Some of my clients are extremely wealthy, while others struggle to live from one pay-day to the next. One thing I discovered early on was that the amount of wealth created by a client was not determined by how much money he or she had earned in their lifetime. In fact, some of my wealthiest retired clients had lived for most of their lives on modest incomes.

This got me thinking. If it wasn't income that determined wealth, what was it? Of course, for some people sheer good luck is a factor: there is the occasional lottery winner, or the person who has received a large inheritance. But it soon became clear to me that, for most people, psychological factors determined how much wealth they had.

Take Shirley and Robert for instance. A professional couple in their early fifties, they have a debt-free house and a substantial investment portfolio for their retirement. In recent years, some of their wealth has been used for overseas travel and assisting their children with education costs.

What has driven Shirley and Robert to get to their present comfortable position? Both have a strong need for security and an aversion to debt. When the couple bought their first house they set themselves the goal of repaying the mortgage as soon as possible. As the family grew, they purchased a bigger house and took out another mortgage. Once again, this was repaid as quickly as possible. However, the couple still worry about whether they will have enough money for later in life, when they will be retiring or working less.

Another of my clients, Jan, has a different view of money and security. Jan came to see me several years ago after receiving a large divorce settlement from her husband. At the time, she was living in a modest home in one of the less affluent suburbs, and before the settlement she had been struggling financially.

In place of conserving and growing her new-found wealth, Jan decided to use it to buy a new home and financially support her children. Rather than being driven to accumulate wealth, she is driven by a desire to live in a pleasant environment and make other people happy. Although she is now less wealthy in dollar terms than she was at the time of her settlement, having spent most of the cash left over after buying the house, she is enjoying life and using her money to achieve the things in life that are important to her.

Not everybody achieves a happy outcome with their money, however. Judy is a real estate agent whose income fluctuates from month to month and year to year, depending on how the property market is faring. She is the sort of person who spends money when she gets it. Even though she knows that she needs to have money in reserve to help her

through the times when the market is slow, she finds it impossible to have money without spending it. She celebrates a large commission payment by going on an overseas trip or buying jewellery, and in between house sales she has to increase her mortgage to pay her bills. Now she is in her fifties with a large mortgage, which will force her to either sell her house and buy a cheaper one, or keep working for many years to come.

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Analysing the differences between my clients over the years has led me to the conclusion that two things most strongly reveal your money personality:

**your level of desire to create wealth**

**your willingness to take risks.**

Let's talk first about desire. If you don't have a strong desire to create wealth, it is unlikely you will do so. And a strong desire to create wealth goes hand-in-hand with having a clear life vision, so you will need that too. True wealth-creators are usually driven by something other than the creation of wealth as an end in itself. The motivating force may be a desire for power, success and status, or a desire to help other people.

To get motivated, you have to be really clear about what you stand to gain once you have succeeded. Your success will be determined by how clear and how ambitious your goals are, and how confident you are dealing with money.

People with a strong desire to create wealth feel they are able to influence the amount of money they attract into their life. They therefore actively look for opportunities to create wealth. They tend to have an optimistic view of life and believe they can overcome barriers. They put no limits on what they can achieve.

Let's stress again that it is not the *amount* of wealth you want to create that is critical, but the *strength of your desire* to create it. The two may not necessarily be related. Being successful doesn't always mean creating a lot of wealth. It means creating the amount of wealth you desire, however much that is.

## To create more wealth, you need to take more risk.

The second revealing personality trait is your attitude to risk. Risk and return go together.

Whatever we do in life, we take risks. Even everyday activities such as hanging out the washing, driving to work, playing sport or crossing the road have elements of risk that, if you took the statistics seriously, would have you curled up in bed all day.

Fortunately, most people can see that the rewards of being able to enjoy a full and active life outweigh the risks involved, providing you are sensible and don't unwittingly or knowingly expose yourself to *too much risk*. The same principles apply to managing money.

To create significant wealth you need to understand and manage risk. A risk-averse person will usually monitor money carefully and worry about losing it. He or she will avoid debt if at all possible. Commonly they will not trust other people when it comes to money, and will keep their money in a safe place such as a bank account.

Of course, all of us are risk-averse at some stage in our lives. We are usually at our most risk-averse when we have the responsibilities of a family, and when we are on a low income, for example in retirement. Conversely, we are at our least risk-averse when we are:

- young, with no dependents, or
- middle-aged but not yet retired, and with no dependents. Our children, if we have them, are now leading independent lives.

Both of these are good times to focus on creating wealth.

To return to my clients Shirley and Robert, both have a strong desire to create wealth, driven by their mutual desire for security in retirement. They are not, however, willing to take a high level of risk to create that wealth; they prefer to get there by saving hard and investing with moderate risk.

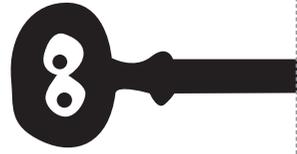
Jan, on the other hand, has a low desire to create wealth. For her, having a nice home to live in and being able to support her children financially is much more important. Jan has a high tolerance for risk in that she is not especially concerned about her financial security, either now or in the future. Rather, she sees money as something that can satisfy her immediate, rather than long-term, needs.

After years of impulse spending, Judy is concerned about her future financial situation now that she is older, but because she finds it difficult to change her spending habits, it looks precarious.

These different attitudes are often ignored by financial planners and authors of books on how to get rich. They assume that everyone has the same approach to money. This is why so many people end up feeling frustrated: they can't seem to make any financial progress and so they frequently give up and revert to their old habits where money is concerned.

Once you understand your relationship with money, it's easy to know what changes you need to make to have a rich and happy life.





# How to discover your money personality

PSYCHOLOGISTS HAVE DEVELOPED ALL SORTS OF TESTS and theories to categorise personalities. You may have heard of the Myers-Briggs Type Indicator and Friedman's Type A/ Type B theory. When it comes to the way people think about money, and what they do with it, I've found it's remarkably simple to figure out what sort of personality you have. My experience helping people manage their money and increase their wealth has shown me that there are just four basic types.

Here are the four money personalities:

**The hoarder**

**The achiever**

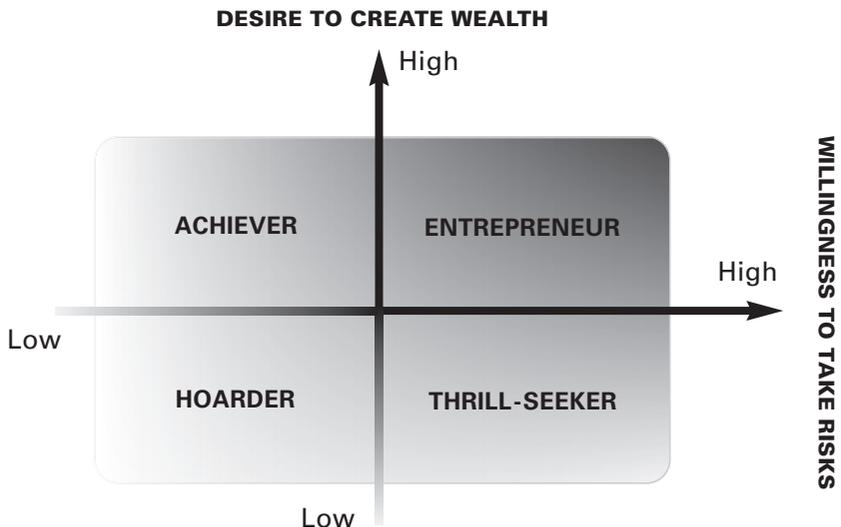
**The entrepreneur**

**The thrill-seeker.**

These personalities are defined by different levels of desire to create wealth and willingness to take risks. These are shown in the chart below. The vertical axis of the chart shows desire to create wealth; the horizontal axis shows willingness to take risks.

People who have a low desire to create wealth and a low willingness to take risks I classify as hoarders. Achievers also have a low willingness to take risks, but they have a high desire to create wealth. In the top right-hand corner, entrepreneurs have both a high desire to create wealth and a high willingness to take risks, while thrill-seekers have a low desire to create wealth and a high willingness to take risks.

The first step to wealth-creation is discovering which of these personalities you are. This will be the key to understanding what you do with money now – and how you can do things a whole lot better.



# Are you a hoarder?

**A hoarder is risk-averse, and has a low desire to create wealth. Hoarders will generally succeed in creating wealth only if they have substantial assets or high earning potential.**

Typically, hoarders are careful, conservative money managers. They live by a strict budget and keep spending under tight control. They know how much money they have and where it all goes, and prefer to keep their money somewhere secure, such as in a bank account.

Hoarders dislike debt, and if they have a credit card they pay it off every month. When a hoarder wants to buy something he or she will save up, rather than using hire purchase or loans. They will take on debt only if they have to – for example, to buy a home.

Hoarders are typically content with their lot. They prefer to see their wealth grow slowly and steadily, rather than take risks with the possibility of large gains. As well as being cautious, they are also suspicious of others and prefer to look after their own affairs rather than seek advice.

If you are a hoarder, you will no doubt end up with a nice pile of cash in the bank, but being overcautious you will miss out on opportunities to make your money work better for you.

## Your challenge is to get more confident about money.



- Learn as much as you can about investing and investments.
- Seek expert advice from a trustworthy person as to which investments are secure and which are not.
- Try stepping outside your comfort zone in a small way.

CASE STUDY

My clients Bert and Alice were a lovely couple in their eighties. Both had lived through hard times, and from an early age had learned to live within their means and save. Bert had had a good government job with an average salary; Alice had also worked in paid employment for a few years, before giving up her career to be a full-time mother.

Bert's goal throughout his life had been to make sure his family wanted for nothing, and he succeeded in achieving this. The couple came from an era when you didn't buy anything unless you had saved the money for it, but that didn't mean they went without. Bert used the wealth he created through saving and being debt-free (other than a small mortgage) to provide a good standard of living for his family, and after his retirement he and Alice travelled and enjoyed life. Both valued non-material things, and because their needs were simple they were easily met.

These two hoarders managed their money carefully and wisely, and although they never had a high income they amassed a small fortune. Bert took great pride in keeping records of his investments and carefully charted the growth in their value. When Bert and Alice passed away, they left a large inheritance for their two daughters, neither of whom had any idea that their parents were so wealthy.

CASE STUDY **HOARDER**

# Are you an achiever?

**If you are an achiever you will be relatively conservative, but your conservatism will be accompanied by a strong desire to succeed in life, and to create wealth. You will also be quite analytical and cautious in your approach to money.**

Achievers are usually well-educated or well-read (or both), and have highly paid professional jobs and/or ambitious career plans.

Status-conscious, they will spend money on things that create an impression of affluence and success, such as a home in a high-priced suburb, an expensive car, private school education for their children, designer clothes, home improvements and overseas holidays. While their spending is high, it is usually on items that have a lasting value.

Sometimes an achiever will fall into bad habits, such as spending money they can't afford on others, feeling as though they have to live up to an image, or being embarrassed about people knowing their real financial circumstances.

Your challenge is to look and feel affluent without spending all your money and increasing your level of debt.



- Rather than amassing a wardrobe full of designer clothes, buy a few high-quality items and mix them with cheaper ones.
- Instead of redecorating your whole house, do one or two rooms.
- If you are spending too much money eating in the best restaurants, sometimes visit them just for coffee and dessert instead.

CASE STUDY

My client James is an achiever in his late thirties. He has a high-paying job with an annual bonus, and his salary has increased every year for the last ten years. He and his partner have purchased a house with a sea view in a good area, and are hoping to be able eventually to re-sell it for a significant capital gain.

As James commutes to work, he feels he must have a late-model car for comfort and reliability. He has a young family, and feels that to give them the kind of childhood he would have liked he should provide the latest technology, such as a computer, video camera, DVD player and PlayStation. His annual bonuses are used to purchase such items. He hopes to take his family to Disneyland for a holiday and wants to start a saving fund with this in mind. However, he is struggling to find the money to do this.

Because James spends all he earns, the capital gain on his family home is presently his only way of creating wealth. A bit of a handyman, he spends his spare time making additions and alterations to the home, and these are financed by an ever-increasing mortgage. James's view is that the additional borrowing is not a problem as long as he can service it, as the house is going up in value by more than the amount being borrowed.

CASE STUDY **ACHIEVER**

# Are you an entrepreneur?

**Entrepreneurs are the true creators of wealth, people prepared to take an initial high level of risk in the expectation of high returns. Entrepreneurs can succeed despite having few assets or a small income. If you are an entrepreneur you will not feel restricted by a lack of money. If you have no money of your own, you will use someone else's.**

Money is what gives you choices in life and you use it to help you excel – for example, by embarking on a new venture such as setting up your own business, or undertaking further education or training. Your spending will, therefore, be on things that have the potential to produce a return, or add to your ability to create wealth. Unfortunately, however, you can fall into bad habits with money, so debts pile up and budgeting falls by the wayside. The fortunes of entrepreneurs can vary between extremes: you may be a millionaire one year and bankrupt the next.

Entrepreneurs typically seek out like-minded people to do business with, or seek advice from. To have credibility with an entrepreneur, you need to be an entrepreneur yourself as they see themselves as being different, even superior, to other people.

## Avoid losing everything by putting some of your acquired wealth into safe assets.



- Don't have all your assets tied up in one or two ventures; aim to diversify your assets.
- Make sure that you separate your personal and family assets from your business assets and protect them from creditors, for example by using a family trust.
- Always be aware of what the worst-case scenario may be if your venture struggles to succeed. Have a plan for knowing when to bail out and how to minimise your losses.

CASE STUDY

Richard, a self-made millionaire, is a typical entrepreneur. As soon as he turned 15, he left school, took up an apprenticeship as a painter, and spent his spare time building up his own painting business. As soon as his apprenticeship was completed, he worked full-time in this business.

From the age of 23 he started buying old rundown houses, doing them up and selling them for a large profit. He financed his first house by selling his car and borrowing money from a solicitor for six months. By the time the money was due to be repaid, he had renovated the house and sold it for a significant capital gain, allowing him to buy several more properties.

Thereafter followed many other ventures, some successful, some not – a pizza parlour, a gym, a private detective agency, a decorative concrete company. Fortunes were made, lost, and made again. When times were tough financially, he would simply go without, even at one stage resorting to eating offal he had cooked for his dog.

These days, Richard is a wealthy man, and has returned to his old trade of painting. His latest venture is to add to his wealth by franchising his business. What Richard lacks in education he makes up for in a strong desire and determination to create wealth, courage to take risks, and willingness to seek advice from like-minded people.

CASE STUDY **ENTREPRENEUR**

# Are you a thrill-seeker?

**Thrill-seekers are gamblers. They take risks for the sheer enjoyment of it, and would rather continue taking new risks than accumulate wealth. They often have a high level of income, which is used for short-term satisfaction. They live by the motto 'Easy come, easy go': money is to be spent here and now. Credit cards are used to their limits. Mortgages can be extended to pay for an overseas holiday.**

If you're a thrill-seeker, a day out shopping and spending lots of money will give you a real buzz. Sometimes the purchases will be of unnecessary or even unwanted items, but the thrill makes it worthwhile. While achievers are also big spenders, they tend to spend money on things of lasting value, whereas thrill-seekers will spend money on just about anything that provides instant satisfaction.

Once the thrill of the purchase has worn off, a thrill-seeker will often feel remorseful about their actions and overwhelmed by their level of debt.

Your challenge is to stop spending and start saving. Your spending should be done with money you have saved, rather than with money you have borrowed.



- Ensure you have strict controls on the amount of credit you can access.
- Set a budget that shows your income, saving and spending – and stick to it.
- Invest any long-term savings in places where you can't get your hands on the money in the short term.

CASE STUDY

Maxine is the kind of person with whom you immediately feel comfortable. Her pleasure in life comes from her ability to establish a close rapport with many different people, and to surround herself with attractive possessions and a beautiful garden. She has so many things of beauty in her home that there is very little room to spare, and a wardrobe bursting with so many clothes she could never possibly wear them all.

Money seems to run through Maxine's fingers. Although she is in her fifties, she still has a large mortgage on her house, as she has had to refinance her credit card several times when it has reached its limit.

Maxine does not have a desire to create wealth for the future: it is more important to her to enjoy life in the moment. She is not afraid of the future, believing that she will always find a way to survive, even if it means eventually selling her home and living in a small apartment.

Maxine is a thrill-seeker in that, for her, money is something that provides instant pleasure rather than long-term security. It will always be a struggle for her to find enough money to pay her bills, but she is one of the happiest, friendliest people you could meet, and has a wide circle of friends.

CASE STUDY **THRILL-SEEKER**