

Williams Financial
group



Manulife Securities



INVESTING 101

TRAINING GUIDE MODULE 2: ASSETS VS LIABILITIES

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WELCOME TO MODULE 2!

A very important lesson that I learned throughout my self-studies of personal finance was from the book Rich Dad, Poor Dad by Robert Kiyosaki. Packed with financial advice - my biggest take away from the book was that it changed the way I categorized assets and liabilities and now these terms have a completely different meanings to me.

Like most people, I used to think assets meant anything that has a cash value. However, what I learned from this book is that is not the right way to look at it. If you want to become wealthy, you need to think of your household finance as a business. An asset is something that can generate cash flow for you now and in the future. Anything that takes money out of your pocket is a liability. In this workbook we dive deeper into examples of assets and liabilities and help you discover your personal assets and liabilities financial blueprint.

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COURSE OUTLINE

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MODULE 1: PAYING YOURSELF FIRST

2

MODULE 2: ASSETS VS LIABILITIES

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MODULE 3: COMPOUNDING INTEREST

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MODULE 4: BUYING GOOD COMPANIES

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MODULE 5: CHOOSING A PORTFOLIO MANAGER

ASSETS VS LIABILITIES

Now that you've successfully been saving by "Paying Yourself First," the next step is to decide what to do with your savings.

The lesson from this module is that a key fundamental to building wealth is focusing on buying income generating assets. You do *not* want to buy things that lose money over time or incur large expenses. This seems obvious enough, but the most deceptive investments look like assets, but are actually liabilities.

The simple definition of an asset is anything that increases in value over time and puts money in your pocket. If it is not putting money in your pocket, it's not an asset. Furthermore, assets make you money while you're not working at it. The definition of a liability is something that takes money out of your pocket. A liability is also something you own that reduces in value over time.

The rich invest their money in assets that put more money in their pockets, such as real estate, stocks, bonds, notes, and intellectual property. Kiyosaki explains that the Rich buy assets that will pay for any liabilities that they buy, therefore, these liabilities don't cost them money and those assets keep building. The middle class and poor invest their money in liabilities that take money out of their pockets such as mortgages, cars, consumer loans and credit card debt. They rely on their income from their job to pay for their expenses and assets. Many of us were taught that anything that has cash value is an asset. For example, your car, furniture, your home, etc., however, Kiyosaki explains that these are not assets because they do not generate income for you.

ASSETS

- **Businesses that do not require your presence**
- **Stocks**
- **Bonds**
- **Mutual funds**
- **Income-generating real estate**
- **Royalties**

LIABILITIES

- **Cars**
- **Homes**
- **Furniture**
- **Vacations**
- **Clothes**
- **Credit Card Debt**
- **School Loans**

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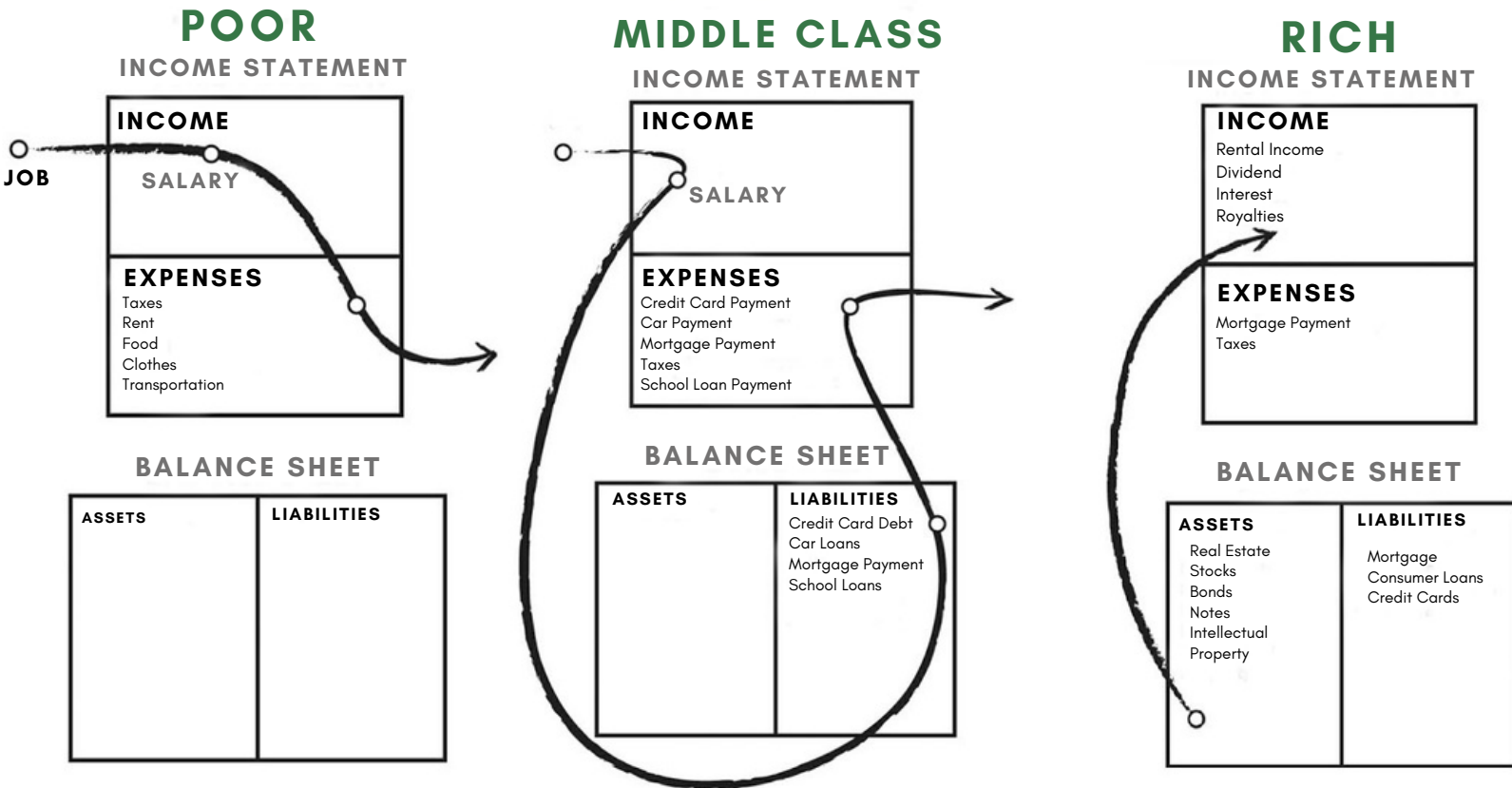
“Know what an asset is, acquire them and become rich.”

-ROBERT KIYOSAKI, AUTHOR OF RICH DAD, POOR DAD



CASH FLOW CHART

Kiyosaki says: "The rich buy assets, the poor only have expenses and the middle class buy liabilities they think are assets."



As you can see, by working on building up your income generating assets while, at the same time working on eliminating liabilities, you will slowly increase cash flow and give yourself more financial freedom. My advice to you is this: do not simply aim for more income, aim for more assets. When you invest in stocks, bonds, real estate or any other money generating assets, think of every dollar you put in as a little worker. The dollar is a little employee that is making you just a tiny bit richer day by day.

It won't happen overnight, but starting to shift your mentality and actions will lead the way to financial freedom. Overall, I hope these "new" definitions of what assets and liabilities are will help you work towards financial freedom.

CASH FLOW WORKSHEET

Now that we've discovered the difference between a true asset and a liability, it's time to do an audit of your personal cash flow and assets and liabilities. Fill out each section of the worksheets and highlight areas that you are excelling in and discover areas that could use improvement.

INCOME

EARNED INCOME

\$

PASSIVE INCOME (REAL ESTATE, BUSINESS)

\$

PORTFOLIO INCOME (DIVIDENDS, INTEREST, ROYALTIES)

\$

TOTAL INCOME:

\$

EXPENSES

TAXES

\$

MORTGAGE/RENT

\$

UTILITIES

\$

MAINTENANCE

\$

HOME INSURANCE

\$

FOOD/CLOTHING

\$

CREDIT CARDS

\$

CAR LOANS

\$

SCHOOL LOANS

\$

OTHER EXPENSES

\$

TOTAL EXPENSES:

\$

ASSETS & LIABILITIES WORKSHEET

ASSETS

STOCKS \$

BONDS \$

MUTUAL FUNDS \$

INCOME GENERATING REAL ESTATE \$

BUSINESS THAT DOES NOT REQUIRE YOUT ATTN \$

INTELLECTUAL PROPERTY \$

OTHER \$

LIABILITIES

MORTGAGE ON YOUR RESIDENCE \$

CONSUMER LOANS \$

CREDIT CARDS \$

CAR LOANS \$

STUDENT LOANS \$

OTHER \$

IMPROVEMENT PLAN

1

What did you learn from your audit of your personal assets and liabilities?

2

How can you improve your spending and saving habits to increase your assets and decrease your liabilities?

3

What is your 1 year goal for acquiring more assets and decreasing liabilities?

MODULE 2 CHECKLIST

- Learn What True Assets & Liabilities Are**
Learn the true definition of assets and liabilities and familiarize yourself with examples of each
- Complete the Financial Blueprint Worksheet**
Discover where you stand personally with your assets and liabilities
- Improvement Plan**
Create a plan to increase your assets, while decreasing your liabilities
- Module 3**
Be on the lookout for the next video in the series, Module 3: Compounding Interest



NOTES

NEXT UP: MODULE 3: COMPOUNDING INTEREST



We've made it through the first two modules! In the next module you will learn about the magic of compound interest and how it help you build your personal wealth.

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