

How to Build Wealth

By Peter Suchy

- *How* to start without skills, connections, or money
- *How* to control costs, negotiate, and understand finances
- *How* to apply sound principles for wealth building
- *How* to make wealth building a subconscious action

How to Build Wealth
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Engines on a Train

...that is how I see these books. Each book in the *How to Build Wealth* series stands completely on its own, but joined together the books are far more powerful.

Before there ever was a *How to Build Wealth*, there was over 600 pages of content – in the draft. Realizing that I myself would never want to read a 600 page book, let alone pay for it, I structured books one through three and expounded. The first title, appropriately named *How to Build Wealth*, is the first in the series. Book two is called *Choking the Goose*, for reasons you will see later, and the third book, as of the publication of this first one, is still undecided. *Choking the Goose* will not be released until the latter part of 2008 or early 2009, depending on my other commitments.

In addition to the core books, there are several other books to support a specific focus. The first of these is *Gainful Employment: How to **enrich** yourself while working for others*, with a release date in mid 2008.

Finally, with *so* much to say, I was *forced* to start a blog at www.chokingthegoose.net. The irony of being an author, for me, is that the more I write the more I have that I need to write.

I need to see about getting a clone...

A Message to the Reader

I wanted to **read** a book that would instruct me how to build wealth regardless of where I was. I wanted to **read** a book that was practical and did not provide vague or general advice. I wanted to **read** about how to pull together the concepts of investing, finances, emotion, good behavior, morality, hard work, dedication, and education, along with cost cutting and wise spending habits, to create a practical plan for building wealth. I wanted application, not hype.

I could not find that book. So, I **wrote** it.

-Peter

Where to Go & How to Get There

The *secret* to success is in having a goal that you can achieve
and in knowing how to forcefully pursue it.

Chapter 1

How to Build Wealth

The rich get richer because they know how. That is all there is to it. Someone who consumes everything that they produce cannot possibly build wealth. It does not matter how much money you make, it matters what you do with it.

The rich are on top because they create a system that is self feeding. Their actions build wealth. Their wealth builds more wealth. Their wealth building accelerates – as they reinvest their profits.

Is that how you run your life? Do your actions prepare you for greater success, or do you only produce and consume? If you do the latter, you will never build wealth.

Answer this question: If one person was taxed at 90% but knew the “secret” of how wealth was created (by living below one’s means and investing the difference), and another was taxed at 10% but did not know the “secret,” who do you think would be wealthier in the long run? The answer is simple. The person who knows *how* to build wealth is going to be the one with the wealth.

If you want to be wealthy, you have to know how it is done and you have to act on that knowledge. You see, it does not matter what tax rate, regulations, income, family background, or upbringing you have.

The System

Your decisions, today, can change the course of your life so that you either start to build wealth or accelerate your present wealth building. You can setup that self feeding system. You might be at the very bottom of the financial ladder – maybe you are not even on the first rung – or maybe you are in the middle or much higher up. It does not matter. The system is the same. For the poor, the middle class, and the wealthy, the system shows no favorites. It regards no persons. The system rewards those who follow it, and punishes those who do not. Do you build wealth?

You cannot measure a person entirely by where they are in an instant. Many people have *lost* fortunes. To be wealthy, in a way, is a mindset. Wealth is built by people who know how. People who understand how wealth is built will become wealthy eventually. It might take a long time, or it might happen relatively quickly.

The person who knows *how* can look from one day to the next and see that their net worth is increasing, instead of decreasing. You want to build wealth? Follow the simple wealth building formula shown on the next page.

How to Build Wealth:

Spend less than you earn.
Invest the difference.

Ok, you can close the book now...

Cause and Effect

When a person works, only to consume everything that they earn, there is nothing that moves them forward. There is no wealth being built. It does not matter how much you earn, it matters how much you keep. If income does not go into savings or investment, then you are not building wealth.

At the same time, wealth with a parallel amount of debt is not wealth. You might live in a house on a hill, but if you owe the bank the full amount, you are nothing but a fraud. It does not matter how much income you have, it matters where that income goes.

Your income cannot build wealth if it is directed to entertainment, eating out, vacations, non-collectible cars, lottery tickets that do not win (no, America, the lottery cannot be your retirement plan), home remodeling that adds little to the house value, and education that does not increase your ability to earn. Income spent on these types of things will neither store wealth nor create wealth. When you look at the examples above, we might also add in clothing, coffee, home furnishings, and items that have little value (a souvenir that is stored in the closet, at the bottom of a stack of boxes) or items with limited cost effectiveness (a \$10,000 table with the utility of a \$175 table).

Now, contrast this with items such as stocks that bear dividends, income producing real estate, precious metals such as gold, a cost effective home, a business, an employment contract, an education, an insurance policy, or even a book on *How to Build Wealth*.

Which of the above paragraphs describe your purchases? There is a difference. You are what you buy. If

you buy the things that build wealth, then you will build wealth. If you spend your money without purpose, then you will not.

I know of many people that spend their money on passing pleasures and useless junk. Money is spent on things that do not increase wealth. By the way, something that decreases expenses can also be considered an asset. So, while the paragraph on stocks, real estate, and gold was describing assets, the earlier paragraph was not.

What Really Defines the Classes?

We all know who the poor are, right? The poor are typically those who have unmet needs. They are the people with more month than money. They are people who have limited incomes and limited assets – or none at all. Now, don't kid yourself, you might be poor, at least by definition of net worth, even if you live in a nice house in a nice neighborhood and drive an expensive new car, but pretending does not work forever. You cannot be a "pretender" and expect to get away with it. Even if you succeed at being a "pretender" your whole life, your lack of wealth *will* be evident in your death.

There is a dirty little secret to being middle class. I have never heard anyone say this, but if one wishes to be middle class, he or she needs only to have an elevated income. Income is what separates the middle class from the poor, in all practicality, because the middle class is, for the most part, "high earning poor." Now, what do I mean by that? That sounds foolish, doesn't it? Well, we'll look a little deeper.

The members of the middle class do not really have enough assets to live off of, and so they are dependant upon the employer to provide an income, for which they must work. This is why there is such volatility in the middle class. Their lifestyle is dependant upon one thing: wages. Members of the middle class are almost completely dependant upon their employer. Does that sound safe?

As a person moves higher in the middle class, to the “upper middle class,” the person most likely has a higher level of income. While getting to the upper middle class requires a higher income, such people are not necessarily rich. Obviously, there are fewer jobs in the society with a higher salary – even in the same industry – as a portion of the whole. Like a pyramid gets smaller as you approach the top, the highest paying jobs are fewer than the lowest paying. But, what if a person is self-employed? The same thing applies. The self-employed person must continue to sell their own personal services or they will no longer have any income.

So why does this matter? This matters because I am sure you have probably heard of people who have lost their jobs and cannot find a new one. Well paid workers in American heavy industry who see their plants close and production move offshore - what do they have left? Is the income really all that separated a person who was “middle class” from one who is poor? Well, yes, it is. If that same “middle class” person is not able to find a job paying the same amount, they might be forced into a low enough income class to be considered poor. The luxuries that they once enjoyed will have to stop due to lack of income, the house might have to be sold for a more affordable mortgage

payment, and the car will not be replaced by the same make and model when it is time to get another one. The “middle class” therefore are typically separated from the poor by income. The danger, then, is that if you are just “middle class” you may be one pay or several months from moving to the lower class. You cannot survive without your high income. You’re addicted to it. This is why it is important to know *how* to build wealth.

Gaining Discernment

So, what goes into income? Well, normally, income has something to do with skills. A carpenter who has people skills and is good with his trade can normally make a reasonable living. A plumber can do the same. Whether vocational, hands on, or all the way through college, an individual with a useful education is an individual with an asset, and that asset is called knowledge. The asset of knowledge can be used to increase income and move a person to the middle class.

If you want to move from the lower class to the middle class, the easiest and safest way to do so is to gain an education. Education moves a person from being poor and not being able to afford necessities to someone who has some excess. That excess is important, as you will see further on in this book, because even a small amount of disposable income is powerful. It gives you options, and it is good to have options.

Yet, the middle class teacher, network administrator, or accountant is not going to retire on education alone because education is not enough. The education only makes

a person more able to work and earn. Education only makes your income go higher; it does not make you wealthy.

If a person has an education in a very highly specialized or in demand area, perhaps they can earn enough income to retire, but most likely this person will want to keep up their standard of living and will have to keep working to do so.

If education that leads to increased wages was enough to retire on, who would ever invest in a 401(k)? Even people who are risk averse can understand that investing is necessary, because working is not enough. Education does not allow people to retire, but education can surely bring someone up from the depths of poverty, in time. If you find yourself at the bottom looking up, then your first priority should be education. You want education so that you can get an income that gives you options to choose where you can put the excess.

Choking the Goose

If you plan on building wealth, you need to know more than just work hard, save, and keep costs down. However, you still *must* work hard, save, and keep costs down if you want to build wealth – this admission will surely disappoint many, so let me add that you also must have discipline, direction, drive, and patience. For the I-want-to-choke-the-goose-and-get-golden-eggs-now method, I would have to refer you to certain other authors for the fictional methods of building wealth without risk, effort, knowledge, direction, patience, or discipline, but they would probably not appreciate the referral.

I know that the financial charlatans will tell you that you can just go out and buy real estate or start a business with no knowledge, no credit, no money, no tools or equipment, and no plan, but many of them have made their money selling books and other material that tells the people who buy them to do things that the authors could not and did not. Don't be misled; if choking the goose was all it took, *everyone* would do it.

Middle Class Assets

Many people considered "middle class" have two of the safest assets: an education and a home. While those two assets will not make the middle class person "rich," they are fantastic assets to acquire as soon as possible. A home is an asset – regardless of what some people will tell you – because a home normally holds value and it can also increase in value. Unfortunately, you have to sell the home to get the gain, but a home is definitely an asset.

A home FORCES you to build equity, and this is the *power* of homeownership. With every mortgage payment you make, your equity (your percentage of ownership) of the home increases. But, aside from equity, a home provides storage, a home can be used to decrease costs (such as having a place to change your oil, rotate your tires, write a book, work on homework, exercise, etc), a home shelters you from the increases of rent (which are not always due to increases in land taxes), a home allows you to better enjoy your time if you purchase it near your source of employment, and a home provides the utility of allowing you to do the things you enjoy without approval from others. Oh, one more thing: because a home is tangible, it

provides a defense against inflation. While inflation decreases the purchasing power of your money, it does not take away the value of the home. This is very important.

When I say “home,” perhaps you think of a sprawling monstrosity that is expensive to heat, close to nothing, and has high insurance costs. Oh, and it is, of course, sitting on top of a hill. I did not say dream home, I said home, no dream was included. Although for some, the dream of a home is a worthwhile one. The home does not need to be in the area that you want to put your future children through school. It does not need to be in the nicest of neighborhoods, though safety is important. It does not have to impress anyone. Your home must have utility if you want to build wealth. Your home must represent value.

Buy your first home as close to where you work as possible. Buy a home that is comfortably in your means (you can pay the mortgage, taxes, and insurance easily). Additionally, consider it pleasant to know that you are wise enough to buy a home that meets your needs but does not cost you more than a quarter of your gross income – less is better. If you take this advice, you are taking it because you know that you can sell this home and buy another one. This is temporary.

The people who buy as much or more than they can afford will do the opposite of one who takes this advice. In the future, the squanderers will be living in smaller homes, or renting, because of their short sighted got-to-have-it-now decision making.

The Pattern of Wealth Building

The way to move from the lower class to the middle class is, first, get a job, any job. Minimum wage counts, if that is all you can get. If you are limited because you cannot even afford transportation then get a job that you can walk to. If you cannot afford anything then bum money for a bus ticket and go to a cheaper area and seek shelter. As I assume you're not homeless and reading this in a public library, get as cheap of an apartment as you can get without being attacked by rats and roaches, or the meaner things that are on the street outside – unless, well, you can handle those things. If you're the meanest man or woman on the street, then I guess you have little to worry about.

Then, if you think you can get a better job by buying transportation, save your money and get transportation. It does not *have* to be anything pretty, just functional. My first car cost me less than \$1,000, but it made a nice appearance.

Credit and Borrowing

Before we go any further, you need to plan for the future by getting a credit card. I don't care if you have just turned 18 or if you are already 81. If you want to build wealth as fast as you are able, then you need a credit card. You need to get a credit card as soon as you are allowed to get one. If you can get someone to cosign for you, do it. If you can only get a low balance card, get it. Even a credit limit of \$100 is enough to start.

If you have a job, you need a credit card. If you are making the minimum wage, then you need a credit card far more than those of us who make more than the minimum

wage. You need a credit card because it is one of the best ways to build credit.

The higher your credit scores are, the more money you save on paying interest. However, good credit is worth far more than that. Good credit increases the likelihood to be accepted for an apartment, decreases the cost of insurance premiums, and can even be used as a factor for whether or not you are hired. People who neglect their credit will be doomed to pay – literally – their entire lives. With poor credit, or no credit, costs increase and the opportunities decrease.

Let me interject: you need to learn financial discipline. Discipline will determine your success or failure, and a credit card is a great way to gauge how much discipline you have and how much more you need. When there is next to nothing for you to afford, learning financial discipline is easiest. So, start early. Early, by the way, is **NOW**. Get a credit card and pay all of your bills on it. Pay your balance off in full every month. You need to learn discipline.

Parents, Grandparents, Guardians, want to teach your children financial self control? Get them a credit card and explain the proper use of it. If they cannot handle a credit card when they are making the minimum wage, they will not be able to handle it when they are making more. Also, do no *disservice* to your children by helping them out of debt. Leave them in pain. Make them pay. Make them learn. They will be better off.

I discuss credit, borrowing, the time value of money, and credit cards in a chapter in the following book of the *How to Build Wealth* series, but let me just whet your appetite by extolling the virtues of the responsible use of credit and

borrowing. Debt is a tool. In the hands of the undisciplined, debt is dangerous. Consumer debt is unwise (cars, toys, vacations, dining, etc), but borrowing to buy assets can be very wise indeed. For one who knows how to use it, debt can be extremely beneficial, but you must have the discipline.

In the second book of this series, I talk about my first home purchase, an investment property, and I show how I used an unconventional approach to save money on interest. I used a credit card to offload almost \$10,000 of my home debt onto a fixed, yes, that's right, FIXED FOR LIFE loan at the rate of 1.99%. Where did I get a loan fixed at 1.99%? I used a credit card. And, there were NO BALANCE TRANSFER FEES. Who do you know that borrowed money for their home at a FIXED FOR LIFE rate of 1.99%? Just think if I had a higher balance. I could have purchased my whole entire home at a rate of 1.99%.

Borrowing, no matter its kind, but especially credit cards, can be considered playing with fire. You take a risk when you borrow. You might not be able to repay. But that does not mean that borrowing is bad. In nature, fire is a very powerful force and we control it for our automobiles, for heat, and for cooking. And, have you ever noticed what the sun is? Yes, one giant ball of fire – though I would not want to get too close to it.

For now, get a credit card. When you have used it six months faithfully and paid your bill off all the time at the end of the month, then call in and get a credit limit increase whether you need or not. Yes, I said that right, whether you NEED IT OR NOT. If you don't get the increase, and even if you do, another card may be in order. A mere \$100 of credit

is not enough for a lifetime. Keep building up your credit. Your credit is not a direct function of your income, by the way, so your usage and responsibility will allow you to gain more, to an extent, even if your income stays constant.

The Right Direction

After you have the ability, through working, to provide for food, clothing, and shelter, and transportation if you need it, then get an education or a skill. If you need to work two jobs and put yourself through a local community college to get an associates degree, then that is what you have to do. If you need to work with someone you hate working for only so that you can learn a trade from them, do it. Remember, no matter how stingy, cheap, unappreciative, and evil the employer may be, he or she can never cheat you out of experience, which is an asset.

If you cannot find a job where you will learn a skill, and cannot afford college by yourself, then look to government programs offered in your local area. When you are trying to get a skill, you do not need to spend \$100,000 to go to college for it. Most likely, someone who spends \$100,000 to go to college has spent far too much – doctors aside, of course. If you spend much more on college than you can make in your first year out of school, you will have probably paid too much.

You might need to read a book on how to do carpentry. You might need to read a book on how to repair computers – like I did. A little bit of knowledge might be enough for a low end certification that will help you to get your foot in the door. You might need a noncredit course, or courses, at a local community college.

What if what you want to do will require more money than you have? Go get an in-the-meantime skill. Get a trade that has the purpose of getting you a higher pay. I remember that at a time when the minimum wage was \$5.15 per hour that I could have been working for the U.S. Postal Service as a data entry person. The job was not fun, but the pay rate was \$11 per hour. I only needed to teach myself how to type and pass the exam the post office required. I could have learned to type at a library if I needed more pay – for *free*. I could have taken a class at a community college or bought a book and a cheap typewriter or a computer for under \$100 – just enough to type on – and learned to type by teaching myself. That would have qualified me for such a job. Instead, I learned to fix computers.

Learn to cut hair, fix basic computers, do home repairs or landscaping. Try your hand at painting – even student painters can make more than \$10 per hour. Just because you do not have a skill does not mean that you cannot get one relatively quickly. Skills that are learned quickly do not typically pay well long term, but if you are going to put the extra money into improving yourself, then do it. With a little positioning, you do not have to settle for just a minimum wage job even if you have very few skills.

Chase a Higher Income

In the early phases of moving between classes, you need enough money to survive, but you need to invest in your ability to earn more. Your only asset, when you have nothing, is your ability to work. That is the first thing that you upgrade. You upgrade your ability to earn by increasing your skills and education. If it is hard, if you have to work

two jobs, or if you have to work, study, sleep, repeat, you will do it because you know that things will get easier as time passes. When you get that skill or get that education then you will eventually get a job that provides enough to support yourself without having a second job or without working long hours. Your experience and education will lift your wages, eventually, and you will move higher in the lower class, if not immediately to the middle.

Also, as I show in the other chapters here in this book and in others I have written, before I had a marketable skill, I switched jobs to slowly increase my pay. If you get more experience, even as an unskilled worker, then sell yourself out to the next highest bidder. An employer who will pay you fifty cents more than you presently make, due to your increased experience, is worth the move. Do not pooh-pooh the small changes, because they make large differences over time.

Even when you gain a marketable skill, you are going to have to switch jobs occasionally so that you can gain more experience and become more knowledgeable in your trade or vocation. Get started gaining the experience of being a job shopper. Learn to succeed at interviews, learn different nuances of your line of work. Learn different industries. For an expansion of employment topics: how to get it, how to succeed, and how to enrich yourself, consider reading the book *Gainful Employment*, because that book is targeted specifically toward employment success.

I can say from experience that working with technology for a retail store was far different than when I worked with technology for an accounting firm. The accounting firm was very different from the steel mill. Even

with similar jobs, the environment made the experience very different and valuable. The experiences you gain will make you very desirable to your next employer, when it finally comes time to settle down.

A person who goes to school to become an accountant may not be able to work at only one place because he or she will not gain enough experience. The work might teach the core nuts and bolts of bookkeeping, but what if the person wants to be an auditor? They may need to change jobs so that they can increase their experience. Working for one place and waiting for your employer to give you raises is not the way to increase your knowledge or compensation in either the short or long term.

When you have pretty much gained the majority of skills that you need in your chosen career, only at that time can you start thinking about staying in one place. At that time you can concern yourself with good benefits – paid time off, a retirement plan, and paid health insurance – but until then, you need to move around so that you get a quantity of knowledge and varied experience. The benefits do not matter as much as the experience. As a matter of comparison, the experience is even more important than compensation. If you do not have experience, then you must pursue experience. Always concern yourself with growth and positioning. If you position yourself the right way, the money will follow after you and you will always be trending upwards in the long run.

You, the Employee

At any job you work, your employer would be happy to replace or eliminate your position if there was a way to

get the same job done as quickly and efficiently, or more so, with the same or less cost. Do not think unkindly towards the employer, however. Even if it means getting rid of jobs, efficiency is desirable because the whole society benefits.

Blacksmiths are no longer needed because we have machines that can replace them. Those machines, however, are run by machinists and technicians. How efficient would it be to hire a crew of workers to dig ditches by hand when a fewer number of workers could be hired to use machinery? It would not make sense. It would not be efficient.

It is good for the society when efficiency increases because we can produce more goods with fewer resources. We “free up” those previously employed workers to retrain and take a job in a different or newly created industry.

While it is good for the society, it is not necessarily good for the person who gets displaced. Employees must strive to see the big picture and to adapt. It is up to the employee, not the employer, to stay relevant and employed. This is why education is so important. Also, potential unemployment underscores why having assets and savings are a must.

On the other hand, realize that your employer is making money off of you and you should be paid as much as the market will BEAR – yes, every single penny. That means if your skills are worth more down the street, then go down the street. You are entitled to nothing but what you negotiate for, but if you can negotiate for it, then you must be worth it. Everything is worth what the buyer is willing to pay, and employers buy services from employees.

If you work for any company long enough, you will meet people who complain about being underpaid. Few

things are more juvenile than a person who complains about their pay but never does anything. If you are one of those people just described, keep quiet and don't embarrass yourself in front of others. So, if you are underpaid, quit your complaining and act, or at least position yourself to act.

Education

When you have developed a marketable skill, at least sufficiently for gainful employment, it also means that you will have more time. If you had been working two jobs to make ends meet and going to school to invest in your only asset, yourself, then you were devoting a huge portion of your time with what seems to be little return. It is worth it. After you no longer need to work longer hours just to get your needs met, you are going to have more time. If you increase your income and decrease your time, you have made a wise choice. With more time, you can choose to devote your efforts either to other pursuits or to spending some of that time on what you enjoy (although things that you enjoy are just consumption).

One other thing that I want to say about education is that you cannot lose it. Joking aside, what you put into your head is not going to be lost. You cannot make a bad financial move and have the education wiped away. No one is going to come and reset your mind and undo your college or vocational education or remove the trade that you learned as an apprentice or through on the job experience. Education, in this regard, is a form of security. And, although it is very rare, security is a good thing. Normally, security appears where it is not noticed, and flees from the places where

people suspect it to be. The job may not be secure, but the education surely is.

Also, I am not obnoxious enough, or foolish, to say that you have to go to college. Even though I went through a Bachelor's and Master's degree, it is not for everyone and it need not be for everyone. Mark Twain, when he said that he never let his education interfere with his learning, was telling the truth. The two are different. They are not the same. You can learn without formal education, but formal education does have its uses. Regardless, you certainly must learn or you have relegated yourself to a low level of value, and, therefore, a low level of compensation.

The Home

After you have a skill that is marketable and you attain a higher income (that does not mean six figures of income, you short sighted impatient college graduates), then get a cost-effective home. You need to save for this as early as possible. If you can save for it while even getting loans to pay for your schooling, do it if the opportunity presents itself. A conventional down payment is 20% of the purchase price of the home. This is also a way to buy with a measure of safety and security. With a down payment less than 20%, you will have to pay for Private Mortgage Insurance (PMI), or a higher interest rate for a second loan to cover your shortfall of capital.

Also, if you have been using credit cards as I suggest, then by this time you will have good credit and the home mortgage will be more affordable and reasonable. The home is the next important thing, as I mention, because it gives you a place that you can control and you can return to and

recharge your energy. From that home, you can prepare for more. The home is discussed elsewhere in this chapter, other chapters, and in other books that I have written.

To get a home, you need to have a down payment. Sure, I know that the financial charlatans will tell you that you can buy for nothing down, but let me tell you from experience – the interest rate you are charged is higher compared to putting 20% down. You don't get anything in this world for free except for air and salvation (and you have to choose to accept both of those), so you will need to realize that you need a down payment if you want to buy a house that has a comfortable mortgage payment with a reasonable interest rate. Variable interest rates are good when rates are HIGH and going LOWER. Fixed interest rates are good when rates are already LOW and appear to be going HIGHER. Many people seem to have this backwards, and it comes as a surprise when they get skinned alive by higher rates or when they forfeit lower ones.

Don't buy as much of a house as you can afford because you limit your ability to take advantage of opportunities in the future. You limit your disposable income.

Retirement Perspective

Prepare for retirement. Safety is important when you are building up your financial empire in the early days – it is important always – but it is important especially when you are financially “weak”. There might be many financial advisors or stock market investors that say “whoa, this is far more important than buying a home” and it should be second. So, answer the following question.

Why live your life inefficiently today and under the roof of someone else when your assets 20, 40, 60, or 80 years from now, assuming you live that long, *may* be enough for you to continue your current standard of living? That is, if we never experience any high inflation, instability, etc. And, of course, hope that you do not have to retire and start to draw from your retirement account when the income taxes are high, or if the stock market is down. What if you die by the age of 35? What good would the preparing be? It makes no sense.

While I am goal and future oriented, I want some things today, not 40 years from now. What kind of person is so short sighted – and I mean *SO* short sighted – that they would sacrifice the majority of their younger life just to have enough to retire when much of life is passed by? I want some things a few years from now, and I won't wait until I come far closer to the end of my life just to maybe possibly enjoy my efforts – if I'm still healthy and alive.

You should want to increase your standard of living now and keep on increasing it until you retire. Personally, I want my income to keep increasing through my retirement – more on that some other time. The only reason that I would say to fully fund a retirement plan before you get a house is if you know you are going to be able to use that retirement plan for the purchase of a house, or, if you have a guaranteed gain (like a company match).

Depending on the kind of retirement plan that you have, you may be able to use the money for the purchase of your first home. If you had an employer who contributed a match of even 50 cents on the dollar for every dollar you contribute to your retirement plan, fully contribute as much

as you can. You're making 50% on your money. That's a great investment.

If you do not get an employer match and are just investing your own money, then wait until you have purchased a home. Retirement is important, but it is a long way off. You must prepare, but you cannot ignore the present.

The home, when purchased right, is very important. Perhaps you are one of the many people who is renting because you are waiting to find a spouse. After you find a spouse, you will try to buy a home. Let me ask you this, what if you and your spouse each had a home before you married? Hmm... that would seem like a step, or two, in the right financial direction wouldn't it? I don't even have to go into the details of the homes, do I? Nope. When I say that, you immediately know that the prospect of two people marrying and buying a house is not as good as two people who each own a home before they are married, providing that their homes represent value and even discounting the experience gained from being homeowners.

The Retirement Plan

Now that I have talked about why you would not want to get the retirement plan before a home, let me tell you why you want to get the retirement plan as early as possible. When you get a retirement plan you are preparing for a time in your life that you will probably reach, where you are not able to work or where you do not want to. You are basically admitting that reality does finally rule the day. Getting older is going to happen. You cannot live and work

as though you will always continue to be able to work, especially if you have a physically demanding occupation.

I was blessed to have found an employer that had a good retirement plan for me. All of the employers that I have worked for, from my first fulltime job, have offered me a 401(k) plan with a company match. The benefit of this is that I can invest money and the company will match a certain amount of my contributions up to a particular percentage of my salary. Think of it like getting free money without having to work for it – although technically you are working for it, but don't let me rain on the parade.

Suppose I work and earn \$1 which I contribute to my retirement and my employer throws in an extra 80 cents. Even though I put in \$1, I get \$1.80 in my retirement account. That is an excellent return. It is 80%!

I do not like the tax deferred (meaning you pay taxes when you take the money out) part of the plan, however, because I do not believe that paying taxes in the future will translate to any savings. I think it is actually detrimental. Plus, the tax deferred nature of retirement can lull people into a false sense of security. They look at the balance of their account and say “look how much I have!” They fail to take into account the need to pay taxes on everything that they take out. There are other retirement plans available besides a 401(k), however, but this is a very common one that many employers offer. Whatever retirement plan you have, or if you have to open your own IRA or Roth IRA, make sure that you choose a plan that fits into the bigger picture of your life. Remember, the retirement plan, like a home, a job, and an education, is just *one* part of the bigger picture.

Don't Get Sidetracked

Now you have a reasonable income that you can support yourself on - maybe that is only \$25,000 per year, maybe it is more - you need to remember that you can shoot higher. Don't get sidetracked just because you have some disposable income.

You have purchased a home and you have started to prepare for your retirement. The home might not be very great, and the retirement plan moves upward slowly, but you are on the right track. All is well; it is time to stop, right? Well, if you do you will be stuck in the middle class forever, unless your job gets outsourced and you cannot find another one, then you can go back to the lower class.

I know several individuals who are always buying "toys." They are always proud of the latest thing purchased and act like life is going to be different - it never seemed to convince me, but that never mattered. These "toys" are basically anything that these individuals want and feel that they deserve - and can afford to pay or borrow for. But what do these toys get them in the long run? They get very little. For a while, the toys are fun to have and to make use of, but they do get old. Maybe these people will even get a comment of jealousy or desire from someone who knows what they have, but that won't last.

Eventually, the toys become just background. Eventually, they are nothing new. All new toys are fun, but eventually they decline in appeal. How many of the "toys" that you bought 5, 10, or 15 years ago are you still using? What happened to all of them? Why aren't you still using them now? Oh, you mean you bought other toys? Will you be using your new toys 5, 10, or 15 years from now? That is

unlikely. Certainly there might be a classic car that you can give as an example, among a few other things, but by and large you are unlikely to be using them in the future.

Now that you, or a fictional person following the above path, are considered middle class, it is time to look higher. To look higher, we need not just income, we need assets. Let's stop and look at education for one more minute.

The Middle Class Error

Many of the middle class seem to think that more education is their ticket to the "good life" and to all that they desire. They are wrong. Education for the poor might be a ticket to a better life, but the middle class does not derive as much gain from additional education as the poor and uneducated will. So, would you follow the table below?

(Note: This table was generated, in part, from information obtained from the U.S. Bureau of Labor Statistics)

Degree	Median Salary	Additional Years of Schooling
Doctoral	\$74,932.00	8
Master's	\$59,280.00	6
Bachelor's	\$50,024.00	4
Associate's	\$37,492.00	2
High School	\$30,940.00	0

Let me add something to this: to get a higher salary, you typically need to work in more intensive and mentally demanding occupations. I have seen a lot of times that while the mental demands increase significantly, there is also a good likelihood that the number of hours you are required to work will increase beyond the standard 40, as well.

Is it worth your time, if you are already making \$30,000, to go for a higher degree? For me it was. I was not yet at the top of what I could earn in my field (while still having pleasant working conditions and sane hours), because I knew that when I got to the highest level that I could get to with a Bachelor's degree, and experience, that I would still want a higher salary.

Do you need to be a Doctor? Where would you stop? Where is a good place to stop? It depends on what you want out of life. Advanced degrees might do you no good financially, even if you earned a higher salary, when you figure out the time you need to put into it and the upfront cost required. Maybe it would be worth it. It depends on your field and it depends on your life. Consider this intently because it can have a very significant impact on your quality of life and your future.

Differentiating the Classes

When I said that the middle class is made up, largely, of poor people with high incomes, I said that to distinguish them from the upper class. Plus, I wanted you to think. I wanted you to see the frailty of the middle class. They have the most difficulty hanging onto their position in life because of their dependency on income alone. The upper class is completely different from the lower and middle classes because of assets.

Generally speaking, the poor have low assets and low income, the middle class has low to medium assets and medium to high income, and the upper class has high assets and high income.

The middle class has the most risk from taxation. People who are high earners but have little net worth and few assets derive their lifestyle from what they can earn, not from what they already have. A tax on high incomes (mistakenly regarded by some as “the rich”) can be devastating on the upper middle class, while it does not affect the upper class as much because the upper class has options to work with. Their assets give them a great degree of leverage in arranging their finances – maybe by buying tax-exempt municipal bonds, for example – that the high earners without assets do not have.

The upper middleclass, those with high incomes, are some of the most vulnerable people in the economy. These high earners with low assets add a tremendous amount of value to the economy because of their high level of specialization and skills, but when the tax hike comes, they shoulder some of the largest burden as a percentage and have the fewest options because they only really have their high income, either through salary or self employment, and they take a more severe tax hit. It affects their lifestyle more than it does the upper class. This may be a new perspective for you, but it never hurts to see something another way.

Additionally, the lower middle class is in a similar situation. The lower middle class can have unique challenges of their own. At one point, they are middle class and they are not poor, but they might feel that they are. They are ineligible for government assistance because they make too much money, but they are squeezed by expenses that their modest incomes do not easily cover. They cannot quite afford healthcare, but they earn too much for assistance, for example.

A Different Take on Wealth

Assets are important. Assets are what separate the upper from the middle and lower classes. Yet, before we get all financial in scope, I want to make it clear that assets are not just financial. Although we are primarily talking about finances, it is impossible to separate finances from the rest of your life.

Here will be where this book veers to the side and moves beyond what a typical financial author would just talk about, because, finances are a PART of life – there is more to life than finances and so you have to realize that your health, your relationships, your spirituality, your morality, your demeanor, your education – all of these things have a profound effect on your finances. If we leave these out of the equation, we miss something. It is as if we only play the first half of a basketball game and compete in score with others who play it all.

You want to have every edge in life that you possibly can, so it is necessary to keep control and oversight over all areas of life. Also, the end goal of this pursuit, at least for me, is not to go buy a gold Rolex watch and drive around in a Porsche. I want to have time and resources to devote to my interests. I believe that there is a purpose to my life and that I have a calling. I can best meet my goals by gaining wealth and having the time to use it wisely. Read: use it wisely. Why should your goals be any different than mine?

There is little that is more offensive than obnoxious and lavish displays of wealth, but take heart, such displays typically come from people who live lives wherein something is lacking and they are compensating. It is better to live life with needs met and contented than with wealth to

aid the destruction of a life out of control. Those who display obnoxious and lavish displays of wealth for the purpose of impressing others are those who have lost their way in life and have no purpose. I cannot speak to their contentment, but I doubt that their ending will be as good as their present.

How do we determine what an asset is? An asset is something that provides a continual return to you or that makes you better able to produce. In a broad sense, a treadmill and a set of weights could be an asset as they provide assistance in maintaining one's physical body. Also, a cost-effective suit can be an asset for a man because it allows him to portray a professional image and it may be a necessity for job interviews.

An asset, financially, is something that has value or that provides an income stream. Gold is an asset because it is a great way for storing wealth. A business is an asset because it generates an income stream.

Moving on Up

Getting into the upper class requires income and assets. It would be possible to get into the upper class, I suppose, by being a starving rock star and becoming famous overnight, but I doubt that most of us can get there that way. For those of us who do not believe that wealth will come in an instant, we must realize that building wealth is a process. You do not need to find the winning lottery ticket, but if you do, your ability to stick to the principles that make a person wealthy will determine your success or failure. Money gained quickly is not the same as money that was gained through a methodical process, although methodical does not have to be slow.

Wealth is built by increasing assets and decreasing liabilities on your balance sheet. When your assets go up and your liabilities go down, you are building wealth. When your assets go up faster than your liabilities, you are also building wealth. If both assets and liabilities move in the same direction, as I experienced mostly through the time I was putting myself through two college degrees, then it is possible that you could actually be staying at the same level of wealth from paycheck to paycheck.

Looking beyond the balance sheet, however, it is obvious that while my wealth was not increasing during certain periods in my life, my ability to earn was going to increase because of my educational pursuits. I was *preparing* to build wealth. I was positioning myself. It was simply not yet reflected on the balance sheet. Education was an asset that made me better able to earn. I was able to accelerate my path to building wealth because of a higher salary. While I have been completely out of school for a while now, I started on my path to building wealth a long time ago.

Assets

To build wealth, you need to increase your assets, but not all assets serve the same purpose. Buying gold, which is an asset, is not really a good way to build wealth. Gold, for example, is a great way to store wealth, but it is not a great way to build wealth – if you were to buy a gold mine, on the other hand, then that might be a different story.

Building wealth involves buying assets that will increase in value or that will provide an income stream. Never much of a speculator, I am not a large proponent of capital gains, but they do have their place. Also, I do not

mean to say that capital gains are only for speculators. They are not. I have just found that seeking capital gains is less methodical and less conservative, for me, than pursuing income producing assets – it merely is a preference.

Many people have been made wealthy through capital gains. If you purchase land or improved real estate and the demand for land increases then, similar to what happened in the U.S. state of California, the value of your land will increase because more people want what you have. The increase in value will be a capital gain when you sell for profit. If you rent out that improved real estate, then you will have an income stream.

If you build a business that sells widget fluffers, and your product sells, then you will have an income stream. If you can sell that business at a profit to another person or entity, then you will have built wealth through capital gains.

If you purchase items at discount and resell them at a markup, you can build wealth that way as well. So, could you build wealth by trading baseball cards? Sure. If you educate yourself on the mechanics of trading baseball cards and learn which cards are valuable or will become valuable, then you absolutely can build wealth through trading baseball cards.

Saving

Once you have disposable income, you will need to save. It is important to save even when you do not know exactly what you are saving for, because opportunities can arise when you least expect them to. Saving is a process that takes time. You cannot amass a large percentage of your income overnight. So, start now.

You need savings so that you can buy assets with a cushion of protection. You might make a mistake. You might be laid off. The market might go against you. There could be unforeseen difficulties. Your savings, then, are what provide the ability to purchase wealth building assets, but they also provide protection. If you put a down payment of 20% on income producing real estate then your monthly mortgage payment will be lower than if you put nothing down. Also, if you have to sell you will have an easier time in a market that is down, because you have equity.

Start Where You Can

Do not worry about how little you know. Start with whatever seems to fit your personality and your interests. You learn as you go, and maybe your interests will change. As you learn about different types of assets, you might discover that some things are not for you. If you initially like the thought of buying real estate to gain rental income, but then decide that you do not want to deal with people, you might discover that investing in stocks which pay a dividend may be more suitable. More opportunities will be discussed throughout this book, but I'll give an example of how to take the process from this point onward.

My primary interest was in the development of cash flow. I desired to increase my income and I desired to increase the amount of free cash flow available to pay down debt and to save and invest. My first attempt at buying an asset came at the age of 21. I decided that real estate was for me. Once I found my way, I looked at real estate that would have as many benefits to me as possible.

Let me tell you why I chose income producing real estate. You will probably never hear a more honest reason as long as you live. *I did not know what else to do.*

About the time I purchased my first building, I was only making about \$30,000 annually. My options were limited. I did not have sufficient interest and enthusiasm for technology to try to open a technology business, my only trade. I was not far enough along the career path to have the experience, and I had not met the connections that would aid in my success if I were to try to open my own business.

Examine Yourself

When I took a look at my inventory of marketable skills, I found that my major skill was that I knew how to fix computers. That was about it. I could do a variety of things fairly well, but nothing was really marketable. Yet, I had the qualities necessary to manage my finances, and I was willing to take conservative risks if there was a reasonable and realistic potential for gain. That really limited my options. You might be reading this and saying “wow, I really see my options being limited too.” If you are, keep reading.

Because my options were limited at the time and I didn't really have any marketable skills outside of technology, I knew that real estate was really my only hope. If you have a skill that can take you into business for yourself or if you have such a knack for people that you would be a fantastic restaurateur, or if you are a skilled investor in the stock market, then go with those methods – none of those were an option for me. Even if you think you **COULD** see yourself doing the above, you can start there. You know your personality better than anyone else on earth,

hopefully, so go after what is best suited for you. What do you like? Do you like watching stocks rise or collecting rent? Do you like welcoming people to your business? Do you like marketing? What do you enjoy? What can you talk about for hours on end? (Here's a hint: that's what got me into writing this book and the rest in the series). Discover what you already like. That's the first step.

Any method you find that is able to build wealth and is suitable to increase your net worth is a viable method – well, if it is legal. You have to decide what will build wealth for you and I cannot tell you what it is, although you may get some ideas. Rest assured, unlike all of the get rich quick schemes, real estate schemes, stock investing schemes, and everything else that the financial charlatans and snake oil salesmen are peddling, you won't find that here.

Taking the Next Step

I saw the next step of building wealth, for me, to be conservative. When I was 21 years old, I was making \$30,000 (there about) per year - no magnificent sum of money, as most people reading will say. I did not have it easy, but the power of this principle will work for you the same way that it did work and is working for me.

If you make far more money than I was making, then you might have it easier. You have, hopefully, more disposable income that you can put toward wealth creation by investing in assets. Paying down debt is important, but paying down debt will not necessarily make anyone rich. If you spend your life paying down the mortgage on the single family home that you live in, you will not really have built all that much wealth that you can use. Sure, your net worth

will rise, but unless you sell your home you cannot have access to the wealth. And, it will not build all that much more. Will paying off your home allow you to quit your job?

You should leverage the strengths of being in the middle class (having very conservative investments such as education, a home, paid time off, and a retirement plan) and continue to apply the method of building wealth so that you can move toward the upper class. You keep living below your means and you invest in assets.

In the same way that I got a degree, two of them, and several certifications in my field of computers to increase my income and move to the middle class, I was now interested in buying assets and paying down liabilities so that I could buy more assets. I pursued a more conservative asset: income producing real estate, before I positioned myself to open my first company, publish this book, and do various other things. Why? I could handle the risk of income producing real estate. Remember the words of Poor Richard's father Abraham: "Vessels large may venture more, but little boats should keep to shore." What that means is that when you have little money you should take small risks.

Remember what I said at the beginning, you can get on the road to wealth from anywhere. You can build wealth when you are poor and you can do it when you are already wealthy. The process does not regard persons. Just live below your income and invest the difference. Even though there is so much more to the wealth building process than the simple concept of living below your means and investing the difference, you cannot go wrong with that process.

A Wealth Building Example

I bought my first home at the age of 22, very shortly after my birthday, and it was not just a single family home, it was a duplex. I did not have that much money to put into it, but I had enough for a conventional down payment.

I understood at that age that while I was never going to get wealthy off of one single apartment unit, I at least had moved in the right direction. Don't forget what I just said. You need to start somewhere and you need to move in the right direction. How can you go wrong moving in the right direction? Even though you can fail, you have a far better chance of success going in the right direction than you would if you were NOT going in the right direction. So, take that first step. Position yourself to build wealth. At least position yourself so that you COULD succeed.

Your first attempt at building wealth may be very small. Although I was making \$30,000 per year, I added a mere \$4,500 to my gross income. I think that anyone reading can see that \$34,500, before taxes and building expenses, is not what might be considered the profile of one building wealth, but looks can be deceiving.

My income went up about 15% with the purchase of that duplex. The most important thing, even though the numbers are so small, is that I now had a repository, a storage bin if you will, for wealth. In real estate, that wealth was equity. My ownership of my building was fairly minor when I purchased it, but it was only going to grow larger.

However, by the time I was 30, far earlier if I kept the building until then, the mortgage would be paid off. This building, although it generated a mere \$400 per month (about), was a first step towards investing in assets and

continuing to build wealth. The rents would increase while the mortgage stayed the same – a lovely combination!

Even though my income was low, the debt was going down and my equity in that building was increasing. When I paid the debt down enough, I would have free cash flow. That cash flow could be used to buy other assets. When I purchased the building, the rent went entirely to the mortgage, taxes, and insurance and it did not even pay it in entirety, although it was a majority of those monthly payments. So, here's a question: what about when the mortgage is gone? Where will the rent go then? It will help to pay down another asset, of course, because the process keeps going.

Instead of squandering the rent, I would save it or put it towards other investments. I fully expect that it is not the rent that is going to be buying other investments in the near term, but my salary, however. In time, the rent that I gain from the building will contribute positively to other assets, instead of just this one. And, of course, I'll sell the building, take my equity, and invest in a larger asset.

Until that point, the rent pays down the mortgage and increases my equity in the building. The equity has value because I can borrow against it, or if I wanted to I could sell the building and take out my equity to buy a larger building with a higher potential income. If my building were worth \$64,000 when I purchased it and if I paid the entire mortgage down by the time I was 30, 7 years from the time I wrote this, then I would have \$64,000 worth of equity with which to work. That sure does sound like a good bit of money, doesn't it? If you understand how to build wealth, as you

should by this point, you definitely know, at least generally, what you would do with \$64,000.

Building Wealth

So, let's move out into the future. I have \$64,000 worth of cash. If, following commonsense and conservative methods of borrowing, I put 20% down on another income producing building, then that means I could buy a building that was worth \$320,000. In this case, perhaps the building had ten units. If each of the ten units still provided \$400 per month, then my income before any expenses would increase to \$4000 per month or \$48,000 additional per year (of course this assumes no rental loss, I know, but this is an example).

If I could pay that building off in 10 years then I would have \$320,000 that I could spend on another building. With 20% down – being safe, remember – I could buy property worth 1.6 Million dollars. If I still assumed \$32,000 per unit (this is theoretical and assumes no appreciation for the example purposes) I would have 50 units. Income would be \$20,000 per month or \$240,000 per year. By the time I would be fifty, with this conservative approach, I would be making \$240,000 per year without having to go to work for someone else, assuming I pay the building off in 10 years as well. That might make for a nice retirement.

This is not rocket science. The formula is sound and it could occur slower or faster – most likely faster. Realize, just because I am giving the example of real estate, if you were to insert dividend producing stocks, if you were to insert restaurants, convenience stores, mining, or anything else, the pattern would stay the same. Buy an asset, pay down the asset, gain equity, take your equity, and buy a bigger asset.

Back to Reality

If I were a financial charlatan, I would say that the above is how it works. It isn't. You have lost income due to tenants moving out. You have costs for operations. Your furnace breaks. Your boiler goes. A tenant trips and falls – in front of their friend's video camera. You have increasing taxes. You face competition when interest rates are low. You cannot apply all of the gross income to paying off the building because you have ongoing costs for operation. Are the painters free? Is the paint free? Advertising is free? Cutting the grass is free? Who is going to clean and maintain all of those fifty units? Do you like mixing cement?

There are costs to everything. And who do you think has to do the work of keeping the units rented? The owner, at least when few units are owned, is going to be responsible for getting them rented. It costs too much to have someone else rent them for you and you cannot necessarily trust that someone else will get a quality tenant.

Drawing From Your Strengths

However, one of the ways to overcome these limitations is by drawing from other areas of life. This is where emotional intelligence and some of that middle class income comes in. Keep your expenses as low as possible so that you can have as much money to pay down debts as you possibly can. Keeping your expenses as low as possible is a function of intelligence and discipline. Your discipline also affects your credit score which will determine your ability to borrow at lower rates, decreasing your interest expense.

While the rent can only do so much, there is still a salary to draw from. Salary is the largest and most important component of income, when starting from nothing.

The reason that I went for two degrees is so that I could have a higher income. I wanted my salary to be as high as possible so that my salary could contribute to my investments. If I had a higher salary and lower expenses in my personal life, then I could pay down my debt on my assets quicker. What if I put aside 5% of my gross income annually to add to the \$64,000 I get when I sell my building? I would have more than 20% to put down on my next building, or I would pay that next one down faster – now there's a concept worth hanging on to! As a matter of fact, if I put 5% of my gross salary aside (\$1,500), assuming I was still making that original \$30,000, then I would have \$10,500 in seven years. Alternatively, I could put that extra 5% towards the mortgage and pay off the mortgage faster.

Because the mortgage was only about 20% of my gross salary when I bought the building, there existed a cushion of being able to put aside the extra 5% of gross salary. I could use my salary to pay the mortgage, taxes, and insurance, and apply the rent to the principle of the mortgage. I can comfortably make all of the payments because even with the mortgage, taxes, and insurance, and another 5% of my gross, the total is only 25% of my gross salary. It is not a burden.

A down payment of \$74,500 (\$64,000 + \$10,500) on \$320,000 would be 23.28%. Or, I could buy a building that was \$372,500 and contained 11 to 12 units. Or, I could still have the \$64,000 but could have paid the building off earlier instead of saving the money. Isn't it nice to have options?

With safety being a concern, I would opt for the former rather than the latter. It does not hurt to be a little conservative because you never know what will happen.

Just to illustrate, the cost of a 30 year mortgage at 6.5% with 20% down would be \$1,618.09 per month. With 23.28% down, the cost would be \$1,551.73. If not every unit is rented all the time, which sounds safer? Would it be better only to put 20% down and keep the extra \$10,500 in reserve? It probably would be. Savings are important even when things are going well. Don't fall into the trap of no reserve.

Choose Your Debts Wisely

Unfortunately, when you have to pay for your own schooling, you incur debt upon that investment, but that is just like anything else. School was an investment for me as it is for everyone else who has to pay for it themselves. Thankfully, while the return on my real estate was very low compared to my expenses - as a relatively new owner - the return on my investment in my education was paying off. I had an education for a longer time. I also had a while to let that education produce a return by gaining experience with work and moving to other companies and gaining increases in salary while keeping my expenses fairly level from the time that I was only making \$30,000 per year. I still had the same building, two job changes later, as I did when I was making \$30,000. So, did the mortgage get even easier to pay?

The margin, the different between my income and expenses, grew. It also gave me options. I could devote funds to paying down my student loans, or I could devote funds to paying down my mortgage. It depends on which has the higher interest rate as to which I would pay down

first. As it is all debt on my balance sheet, I need to pay down the most expensive debt first. The most expensive is the debt with the highest interest rate because it reflects the debt that *costs* more. The only exception might be if I needed to free up cashflow, then I might pay down a debt that had a high payment relative to the total amount owed.

No Longer Lost

Once you have the path set and you know where you are going, you simply try to accelerate your efforts. Using real estate to build a cushion of wealth was a good example of a way to prepare for more risky investments. Be methodical and take things one step at a time.

When you know how to build wealth, you will want to get to your goals sooner rather than later. That is normal. That is why you do not forget your ability to earn. You need to focus on your ability to earn more up to a certain point. Your salary supports your investments. So, do not put the cart before the horse. If you are in the lower financial class, be reasonable and get an education and then start investing in other assets. The process is safe and it works.

Because I know what the path is, and because I know I want to get there sooner rather than later, I accelerate my efforts by trying to gain a higher salary. I accelerate my efforts by trying to reduce my expenses. I accelerate my efforts by saving for the next down payment. I accelerate my efforts by utilizing compound interest to my advantage and paying down the most expensive (highest interest rate) debt first. You need to be patient and let the process work, but you also need to move as fast as you can.

Patience, Have Some

At some point in time it is important to wait and allow the process to work. Life normally does not materially change from week to week, so you have to have patience. When you look at your balance sheet and see things are moving positive, and with a very slow increase in the rate of positive movement, you should be happy. But, don't go out and buy a Porsche and expect to continue building wealth because you would have incurred a huge amount of debt. That debt, or loss of capital, would be a huge setback to your finances, and that would be foolish. Wait until you can absorb the cost easily, before you buy the Porsche.

Whether it is a Porsche that you would buy or whether it is some other luxury, you cannot squander a little success by indulging in a lot of spending. The moral is that you need to CONTINUE building wealth. It can be disheartening to look and see that wealth is being built so slowly, but you must realize that wealth will accelerate slowly until it appears that wealth building is occurring at a moderate pace and then at a rapid pace. Just because things move slowly does not mean that they are not moving. If you are moving in the right direction then you will eventually get to the goal. The financial charlatans would tell you otherwise, but you must have perseverance and patience.

Remember this, just because you live below a bridge does not mean that you cannot live in a mansion. When you think of living below your means, think of it this way: if your means keep increasing, wouldn't it be easier to keep living below them? The time for change is now.

You now know *how* to build wealth.

Want More?

As you can see, building wealth does not simply involve taking risks and getting rich. Building wealth is a process. To understand that process, you need to know how to make good decisions and leverage your strengths. For additional insights, visit my websites:

www.howtobuildwealth.net

The *How to Build Wealth* series website

www.chokingthegoose.net

Good advice, entirely free

Additional copies of this book
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