
Dec11
2023

Lessons Learned from the Wealthy

By admin

Most people want to be wealthy, or at least financially independent. The sad truth is that very few people are financially independent when they reach retirement. The rest are dependent to some extent on others or government benefits for their daily money needs.

Far too many people today live a lifestyle that is under a mountain of consumer debt. In many cases, that debt follows them into retirement. There are simple strategies to achieve financial independence; however, they may not necessarily be easy to follow.

Here are some examples of how the wealthy do it:

They live well below their means - All too often we spend money we don't really have on things we don't really need to impress people we don't really like. It has been called 'keeping up with the Joneses.' The wealthy, however, control their lifestyle expenses and invest what is left for their future.

The wealthy are also more inclined to know quite accurately where their monthly cash flow goes. When asked if they know how much is spent each year on food, clothing

and shelter, almost two thirds of the wealthy said they did. Only 35% of high income non-millionaires had any idea of where their money went.

They have a different concept of what assets are - When applying for a loan, lenders would have us believe that our home, our car, our furniture, and our motorized toys are assets. The wealthy view these as liabilities. They define an asset as something that generates an income, or positive cash flow.

The argument continues to be made that the home we live in is an asset. The wealthy will generally view it as a liability, but believe owning is still the least expensive way to put a roof over their heads. This goes along with the thinking that anything that has a negative cash flow is a liability. Certainly there is the long-term potential of selling the home in the future for more than its original cost, but it rarely generates an income to that point.

The wealthy still enjoy certain lifestyle items. They are more inclined, though, to avoid the instant gratification that is so prevalent in society today. It makes more sense to them to wait until they have built up an asset to the point where its cash flow covers the cost of the lifestyle expense than to go into debt to get it today.

They pay themselves first. The wealthy are more likely to have clearly defined financial goals, and when they achieve their goals, they usually set new ones. They put aside a certain portion of their income regularly to reach these goals first, then use what is left over to determine their lifestyle. The downfall for many is living a lifestyle based on cash flow and debt, and hoping to save if there is something left over at the end of the month.

The road to financial success is not without the occasional detour or pot hole. When plans are interrupted by unforeseen events, don't give up. It isn't sufficient just to want - you've got to ask yourself what you are going to do to get the things you want.' - Franklin D. Roosevelt

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