



Destination Financial Freedom

Getting you there

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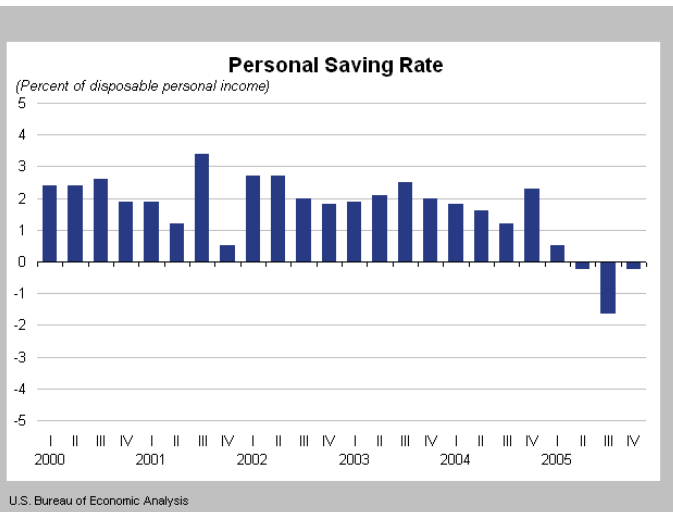


Stop Dreaming and Take Control

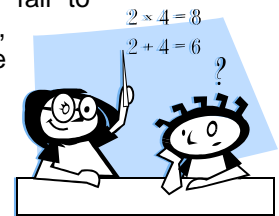
Today, most Americans are drowning in debt, living paycheck to paycheck; many are bankrupt and desperate when it comes to their finances. They dream of becoming a 'millionaire' in order to make all their previous and future worries go away. Maybe they'll win the lottery. Powerball would be great! Maybe if they buy a lot of magazines they might have a better chance of winning the Publishers Clearing House Sweepstakes. And in the mean time, before any of these miracles even occur, they start planning how they would spend the money – money they don't even have! Sound familiar?



Last year was the first year since the Great Depression that Americans spent more than what they had (disposable income). The following graph shows how easy it is for Americans to squander money they don't have and even dip into savings in order to supply their habits. Keep in mind that this rate also takes into consideration any retirement savings, such as 401(k) or IRA contributions. To make matters worse, according to a study by one of America's biggest online lenders, LendingTree.com, debt is now considered an inevitable and likely permanent fixture of everyday life. The previous stigma of debt is largely gone, primarily because of mass marketing pressure for immediate gratification. Consumer debt has not only spun out of control, it has become a tool that is being severely abused by most Americans today.



One of the most relevant factors attributing to this problem is the financially uneducated. Many of us don't understand the basic concepts of accounting - *you can't spend more than what is coming in*. Sometimes people often overlook interest rates. When buying goods/services on credit they fail to consider the cost *after* interest, instead they focus on only the purchase price. It is important to realize that there are virtually countless lenders out there who are constantly competing against one another for your money. Because of this competition, some lenders offer considerably lower rates than others. For instance, credit unions tend to offer exceptionally competitive rates not to mention several other useful products and services.



Another factor contributing to the problem is our materialistic society. Most of us strive for what I call the *new 'American Dream'* which consists of luxury cars, a huge house, fashionable wardrobe, daily cappuccinos, and every new high-tech toy that is available. We are always striving for something more – never happy with what we have. Our society has us so wrapped up in what's hot, and what's not, creating for most of us an impractical standard of living that strangely enough we somehow feel obligated to live up to. In trying to live up to this unrealistic 'dream' we find ourselves with the majority of Americans; financially chained down with essentially no control of our lives.



If we live this way, financially uneducated and overly materialistic, it's no wonder why we are all dreaming of winning the lottery and an end to our financial troubles. An article written by Janet Luhrs on MSN Money describes how 'Simple living yields simply millions in savings'. She explains how unrealistic expectations will never allow us to create the kind of lifestyle we want. She summarizes the book *The Millionaire Next Door*, by Thomas Stanley and William Danko, and of the 1,115 millionaires surveyed, the one thing they had in common was, you guessed it; a simple lifestyle. Here are some of the millionaire's distinctive characteristics that Stanley and Danko have listed that might differ considerably from your own:

1. They live well below their means.
2. They allocate their time, energy and money efficiently, contributing to building wealth.
3. They believe that financial independence is more important than displaying high social status.
4. Their parents did not provide economic outpatient care.
5. Their adult children are economically self-sufficient.
6. They are proficient in targeting market opportunities.
7. They chose the right occupations.

This list is the precise description of simple living at its best, something that most of us do not have. Janet Luhrs says it best:



“Simple living is about living consciously and with a purpose. This means being in control of your money and your life. When you save your money rather than continue spending, you buy yourself control.”

Of course, you can become a millionaire by winning the lottery or inheriting money. In this case, if you have not personally *earned* your wealth you will be more likely to spend it, according to Stanley and Danko’s book. For the most part accumulating or ‘*earning*’ wealth has nothing to do with your annual income like most of us might believe. Stanley and Danko compare two physicians in their book who they refer to as Dr. North and Dr. South. As you might assume they have lots of things in common such as age, income and family composition. However, these two highly compensated physicians, with annual realized incomes of \$730,000 for Dr. North and \$715,000 for Dr. South, have one major difference – their accumulated wealth. Dr. North’s total net worth is \$7,500,000 whereas Dr. South’s is only a fraction at \$400,000. Ultimately, if you currently have difficulties making ends meet at a \$40,000 or \$100,000 annual income, what makes you think that you will become financially stable with \$50,000 more a year? The most significant factor attributing to a high net worth is your lifestyle. If you have uncontrollable spending habits making \$50,000 a year, you will still have uncontrollable spending habits making \$100,000 a year.



The following are some interesting statements in Stanley and Danko’s book that should provide some food for thought:

- One earns to spend. When you need to spend more, you need to earn more.
- Have you ever noticed those people whom you see jogging day after day? They are the ones who seem not to need to jog. But that’s why they are fit. Those who are wealthy work at staying financially fit. But those who are not financially fit do little to change their status.
- I have always been goal-oriented. I have a clearly defined set of daily goals, weekly goals, monthly goals, annual goals, and lifetime goals. I even have goals to go to the bathroom.
- I am not impressed with what people own. But I’m impressed with what they achieve. I’m proud to be a physician. Always strive to be the best in your field... Don’t chase money. If you are the best in your field, money will find you.
- Money should not be wasted...no matter how much I earn.
- Gift receivers... the adult children of the affluent feel that their parents’ wealth/capital is their income... income to be spent.
- If your goal is to become financially secure, you’ll likely attain it... But if your motive is to make money to spend money on the good life... you’re never gonna make it.



These millionaires are not living the *new* ‘American Dream’. They do not own gigantic houses, drive \$50,000 cars or have an exclusively Ralph Lauren wardrobe. But ironically, they have everything we want; a large bank account and most of all control of their lives.