#1 AMAZON BEST SELLER

THE ORDINARY MILLIONAIRE

SECOND EDITION

7 Secrets of the Happy, Healthy and Wealthy

MADELEEN VAN DEN BERG

Wouter Snyman and other Industry Experts

THE ORDINARY MILLIONAIRE

SECOND EDITION

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About the Authors

The Ordinary Millionaire was written by Wouter Snyman with contributions made by a number of financial advisors from the attooh! Group of Companies. The book is relevant to any individual wanting to embrace the philosophies and steps necessary to take the journey towards financial independence. attooh! is one of the fastest-growing financial services firms in South Africa and was recently awarded the coveted title of Number 1 Financial Advisor Group in South Africa by Discovery for a fourth time. In addition attooh! won the coveted Best Overall Company Award at the Business Excellence forum awards.

Madeleen van den Berg

Madeleen van den Berg entered the Financial Services Industry in 1997 as a Financial Planner. She specialises in Corporate Benefits and is the Managing Director of attooh! Health and Wealth. In 2011 Madeleen was awarded the prestigious Discovery Healthcare Broker of the Year award.

Madeleen provides unique training and education sessions to empower clients with knowledge, ensuring that the correct decisions are made towards their financial wellness journey.

Madeleen is happily married to Pieter van den Berg, a well-known sport commentator, and as a result the family spend plenty of time next to the sport field!

Wouter Snyman

Wouter Snyman is the founder and CEO of the attooh! Group of Companies and has more than 25 years' experience in business. Apart from being an entrepreneur. Wouter is an accomplished speaker and has authored 7 published books and more than 30 ebooks, 3 of the books has become International # 1 Amazon bestselling books. His latest book, "How to Win in Business" was co-authored with amongst others Dr. Kobus Neethling, Magnus Heystek, Dr. Flip Buys and other renowned South African business leaders. Wouter won the prestigious top CEO award in the Business & Professional Services Sector category for South Africa and in 2016 won the Excellence in Creativity Award from The South African Creativity Foundation.

Wouter is married to Annelie, and they have two children, Anchen and Wernu.

One of Wouter's business role models is Steve Jobs, whose following words he lives by: "Your time is limited, so don't waste it living someone else's life. Don't be trapped by dogma – which is living with the results of other people's thinking. Don't let the noise of others' opinions drown out your own inner voice. And most important, have the courage to follow your heart and intuition." [1]

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Introduction

"Learning is the beginning of Wealth. Learning is the beginning of Health. Learning is the beginning of Spirituality. Searching and Learning is where the miracle process all begins."

– Jim Rohn

"If we take a late retirement and an early death, we'll just squeak by."

Are you confident about your retirement position or, when you think about it, do you feel slightly nervous, fearing that you might fall into the dismal category depicted in the cartoon above?

Some statisticians state that less than five percent of people worldwide will have the means to retire financially independent. In a room of 100 people, therefore, only five will be able to live a comfortable life once they retire. Most of the people that we encounter on a daily basis as financial planning experts fall into the ninety-five percent category.

The attooh! Group of Companies is proud to have hundreds of years of combined experience in the financial services industry. The contents of this book, and its supporting videos, webinars and seminars are a collective effort of a niche group of financial planning experts.

We are here to help and to educate you, and to guide you on your journey towards financial independence. Our aim is to help you to reach 'Ordinary Millionaire' status but, more importantly, to enjoy life as an individual who has absorbed and implemented the secrets of financial independence and who actively appreciates a happy, healthy and wealthy lifestyle.

Secrets of The Ordinary Millionaire Journey

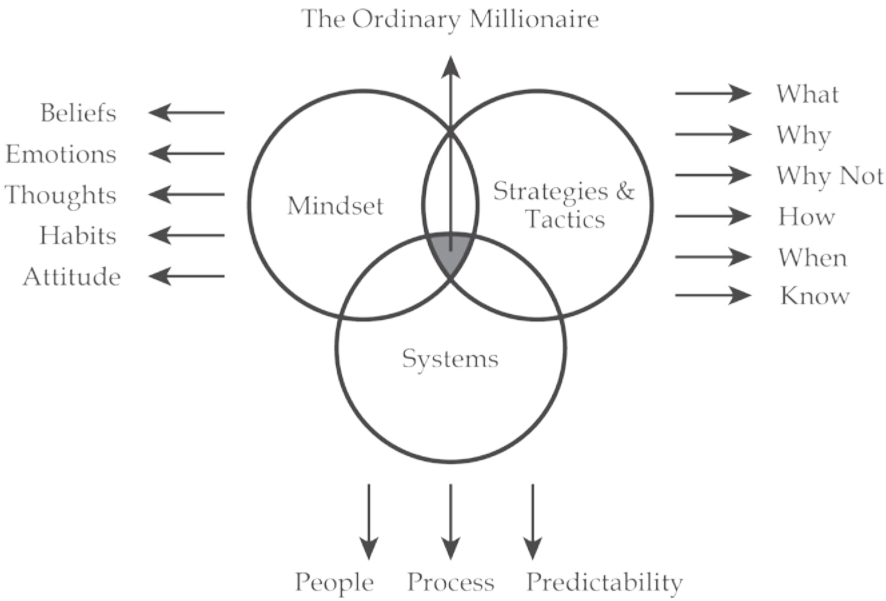
You picked up this book for a reason! Maybe you are at the start of your financial journey, well done, we really believe you will find great value in this journey or maybe you have been at it for a while and are not satisfied with your results or simply want to do better! We are excited to have you invest your time with us.

The three critical components of this journey can be summed up as follows:

1. **Mindset**. The most important aspect of all, and mostly overlooked in all the Financial training programs we have seen.

2. **Systems.** Successful people make use of systems to ensure a predictive outcome.

3. **Strategies and Tactics.** Without execution the greatest ideas will come to nothing.



1. **Mindset**. In Part 1 – Being Happy, we will deal with your mindset in great detail. We are of the opinion that this is one of the most **critical components** to your continued success and ultimate victory around your "millionaire" status.

2. **Systems.** It is apt that systems can be applied to the following acronym – **Save Yourself Some Time, Energy and Money.** Systems, once learned, can be duplicated and almost be a guarantee for ultimate success. The most successful businesses in the world such as: McDonalds, Starbucks, Apple, Uber, AirBnb, and countless others are almost guaranteed success as a result of systems that has predictable outcomes.

3. **Strategies and Tactics.** In line with the above your success in any area of your life is dependent on the **quality of questions** you ask. Here is the six most important questions that will help you implement the right strategies and actions:

First question: WHAT do you really want? In other words, what is your **vision for your life?** Clarity leads to power and power gives you the ability to do or act. We have seen that the number one reason most people don't get what they want is because they don't know what they want.

So, what do you really want? What do you want in each area of your life? The keyword here is "YOU" - what's right for you? So many times, we see people living the dreams of their parents or someone else, instead of their own.

Question two: WHY do you want this? What is important about it? This **defines your values**. If the first reason most people don't get what they want is because they don't know what they want, then the second reason most people don't get what they want is that they don't know WHY they want it.

Your 'why' is your reason, your 'why' is your motivation, your 'why' is the emotion behind your 'what' and without emotion there is no energy to make the changes necessary to achieve what you want. Author Jim Rohn said, “The bigger the WHY the easier the HOW. “In other words, if your reason is important enough, it becomes clearer and easier to see and develop your plan of action.

Question three: WHY not? Why don’t you already have it? What is **preventing you** from having what you want, i.e. what are the obstacles in your path? So if we say we want something and we don’t yet have it, there is going to be an imaginary reason that your mind makes up to protect you and then there’s going to be the real reason why you don’t have it.

Uncovering the real reason is critical so that we can get to the heart of what is blocking you. From there we can make the real changes needed in order to live the way we “say” we want to live. This question, “Why not?”is even more imperative because, as T. Harv Eker would say, ‘How you do anything is how you do everything’.

Question four: HOW will you get it, ie. **what is your plan?** What are the methods you will use? It is very obvious that to get from where you are to where you want to be you will need a new strategy or plan to get you there. Our habits are ingrained in us, and without **a new plan** we will just continue to do what we have done in the past, which means we will continue to get what we have gotten in the past.

Without a plan, we will not succeed. The good news is that your plan or strategy does not need to be perfect, it is merely the starting point to a new direction, and you will most probably need[3] to make some corrections on the way to your new destination. A Boeing flying from OR Tambo in Johannesburg to Cape Town International will be off course almost 90 percent of the time? The reason the pilot lands safely, and on the right landing strip is because he constantly makes flight corrections to get his passengers to the correct destination.

Question Five: WHEN do you start, and what's the **first action** needed for you to get going? Once we know what we want, why we want it, why we haven't got it yet, and what our plan is, then we just have one thing missing to get us closer to a result. That is simply to **take action**. Many a great dream or goal has never seen the light of day because it remained just that, a dream! Once you have taken the first action, what are the next steps to ultimately get you to your end destination.

Action is critical if you want to be successful. The biggest problem with most people is that they think a lot more than what they are prepared to do. Thinking is mental, doing is physical. Do you just want a dream? Or do you want your dream to materialise? At this starting point you are only interested in doing one thing, one single action step that will get the ball rolling. It is critical because you will set the *"Power of Momentum"* into motion. As Newton's Law says, *"…a body in motion will tend to remain in motion and a body at rest will tend to remain at rest"*.

Question Six: How will you KNOW that you are successful? What **measurements and metrics** do you need to determine whether you have achieved your goals?

Success leaves clues! Mark Victor Hansen said the following: *"Big goals get big results, no goals get no results or somebody else's results"* meaning your results are the critical final step in ensuring you live your dream life. the best metric is to use the ABC's in measuring yourself not just against your ultimate financial goal but against your A or alignment goal, B or Beginning goal and C or Competition goal. Using this simple mechanism will ensure that you have the required metrics in place to measure your achievements.

If you are certain about these six questions, the lessons learned in this book will ultimately help you to achieve all the happiness, health, and wealth you desire.

This book that you are about to read, with its 7 Secrets to becoming Happy, Healthy, and Wealthy will hopefully transform your life! We hope to give you the tools you need to make your life better, and furthermore, offer you the building blocks to achieve success and realise freedom.

Our dream is to create a community of "Ordinary Millionaires" in South Africa who can help build a legacy and make a definite difference in our beautiful country.

Ordinary Millionaire Actions:

Based on the introduction chapter and the topics covered, give yourself an honest rating. This will give you an immediate idea where you are in these areas of your Financial Independence journey.

1 **Mindset**. My Money:

	Poor		Average		Great
Beliefs	1	2	3	4	5
Emotions	1	2	3	4	5
Thoughts	1	2	3	4	5
Habits	1	2	3	4	5
Attitude	1	2	3	4	5

2 **Systems.** Do you have the right?

	Poor		Average		Great
People	1	2	3	4	5
Process	1	2	3	4	5
Predictability	1	2	3	4	5

3 **Strategies and Tactics.** Have you answered the following questions? I know my...

	Poor		Average		Great
What	1	2	3	4	5
Why	1	2	3	4	5
Why Not	1	2	3	4	5
How	1	2	3	4	5
When	1	2	3	4	5
Why Know	1	2	3	4	5

Notes: ______________________________

History of Financial Planning

"What counts is what you do with your money, not where it came from."

– Merton Miller

To understand why Financial Independence and Retirement is so difficult we need to tell you a bit about the **history of retirement** planning. According to his Wikipedia page, Otto Eduard Leopold, Prince of Bismarck, also known as Otto von Bismarck, was a conservative Prussian States-man who dominated German and European affairs from the 1860's to the 1890's. In the 1860's he engineered a series of wars that unified the German states, with the exception of Austria, into a powerful German Empire under Prussian leadership.

Bismarck implemented the **world's first welfare** state in the 1880's. He worked closely with large industries and aimed to stimulate German economic growth by giving workers greater security. A secondary concern was trumping the Socialists, who had no welfare proposals of their own. At the time, the real grievance of the workers was "the insecurity of their existence: they were uncertain that they would have work, whether they would always be healthy enough to work, and the issue of what would happen to them once they reached an age where they would be old and unfit to work".

In 1883 the Sickness Insurance Bill was passed which, when implemented, was established to provide **sickness insurance** for German industrial labourers. The health service was established with the cost divided between employers and employees. The insurance would pay for an individual's medical treatment for up to thirteen weeks.

In 1884 Bismarck managed to pass the Accident Insurance Bill after three attempts, and the only way he could pass it was by creating an entity of the State that would administer the process, which was the start of the first central and bureaucratic **insurance office.** The program kicked in to replace the Sickness Insurance Bill from the fourteenth week. It paid for medical treatment and a pension fund was paid out of up to two thirds of the earned salary, if the worker was fully disabled.

The most important bill, the **Old Age and Disability** Insurance Bill, was passed in 1889. The Old Age Pension program, an insurance equally financed by employers and employees, was designed to provide a pension for workers when they reached the age of seventy.

The problem

The above introduction to the beginnings of disability and retirement planning provides an interesting overview of where this all began some one hundred and twenty eight years ago. If you read the above paragraph you will see that in many ways, it is still similar today.

There was one problem with the Old Age and Disability Insurance Bill. This carefully crafted solution was one that would inevitably **not have to pay** out to the majority of the population that had contributed towards this pension plan, because they simply did not live long enough. In 1889 the average life expectancy of a German adult was the ripe old age of **forty-three**! This problem is still very much at play today, albeit at the other end of the spectrum.

Fast forward to 2017

The average retirement age today is still between sixty-five and seventy, with one major difference. At the turn of the twentieth century, the average life expectancy of a South African adult was around forty. Today, that life expectancy is increasing almost as fast as the advances in medical technology! If you are forty today, you have more than a **sixty percent** chance of living until **your nineties**. The oldest South African reportedly lived to the ripe old age of 130. This means that she had been in retirement for more than sixty-five years, which is longer than what her productive economic life of forty years was.

The statistics are certainly not in our favour. Insurers are still relying on a system designed more than a century ago, based on a life expectancy which is almost **less than half** of that of today! It's no wonder that ninety-five percent of the population have a slim chance of ever retiring comfortably on the existing methodologies.

The alternative

Considering this information, it should be highly evident that we need a **new approach** to becoming Ordinary Millionaires and embarking on the journey to financial independence. Keeping this knowledge foremost in your mind, it can certainly be agreed that the traditional idea of a comfortable retirement is probably out of reach for most. For this reason, we much prefer to discuss the methods by which to become financially independent. More detail on this will emerge in just a bit.

The core purpose of our business

Here is the definition of the core purpose of our financial planning practice: **"We make Ordinary People Millionaires and Millionaires Financially Independent."**

The title of this book, The Ordinary Millionaire, is derived from our core purpose. The word 'Ordinary' is a reference to the fact that we believe we are all equal. Every individual has his or her own unique talents and strengths, but this should not allow us to think of ourselves as being superior to anyone else. Some people live extraordinary lives, but this as a result from them doing things that others are not equipped or prepared to do, one of which is understanding the concept of abundance in their lives.

"There are people who have money and people who are rich."

– Coco Chanel

Our "Ordinary Millionaire" promise

R1500

This voucher entitles you to receive R1500 discount towards your first financial plan.

T&C's apply.

To redeem, go to:
www.theordinarymillionaire.co.za/financialplan

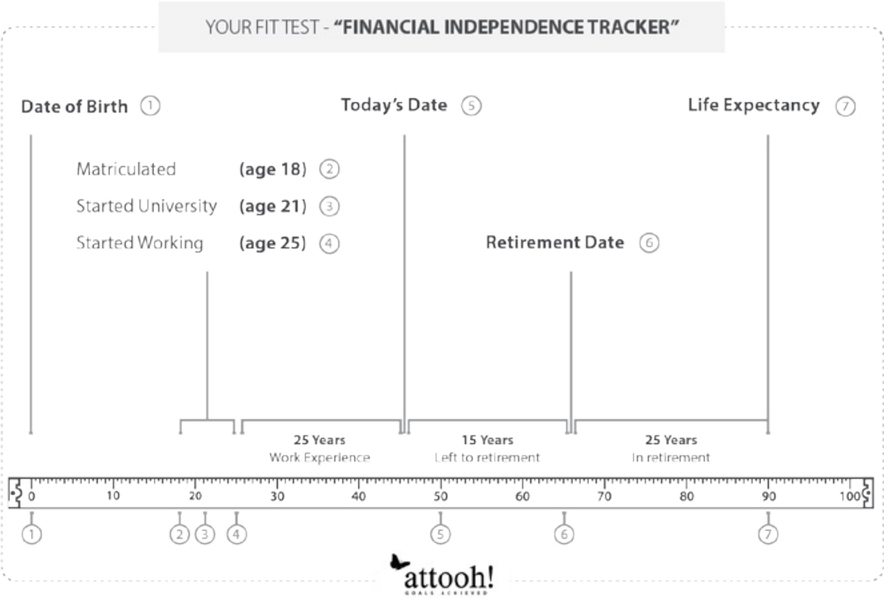
You picked up this book for a reason: to start changing the financial legacy you will leave behind.

We want to help you create your financial plan, for that we have a team of TOM accredited financial planners waiting to help you. With this voucher you will get a R1500 discount towards your first financial plan.

Ordinary Millionaire Action

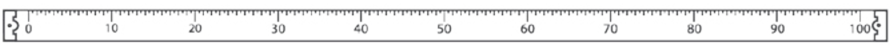
The simplest way to determine your current financial independence status is to complete "The Financial Independence Tracker" or FIT™ test. Use the below as an example:

Wouter was born in 1967 (1), he matriculated in 1985 (age 18) (2), attended university from 1988 (age 21) (3), started working in 1992 (age 25) (4), is now 50 (5) with 25 years of work experience and contributions towards retirement 15 years left to retirement date of 65 (6). With a life expectancy of 90 (7), Wouter will have to provide sufficient retirement funding to survive 25 years in retirement.



Complete your own FIT™ test below:

1	Date of birth	
2	Matriculated	
3	Studies	
4	Work start date	
5	Today's date	
6	Planned retirement date	
7	Life expectancy	90



Part 1
Being Happy

How do I become an Ordinary Millionaire?

So, a quick question: "**Are you a millionaire**?" Whenever we pose this question, most of our clients respond with a categorical "No!" The first component of our core purpose – "Making ordinary people millionaires" – has nothing to do with your wealth status. It relates mainly to your "mindset" on wealth, i.e. are you living an abundant-minded life versus a poverty-minded one?

Consider the following question for a moment: "Steve Jobs was reportedly **worth $10.2 billion** at the time of his death. How much of this money do you think he would have given away to **spend more time** with his family, loved ones and business?" We are sure your answer will be the same as ours – Steve Jobs would have given away everything he had to spend more time with his loved ones!

Since you are reading this, in the Steve Jobs analogy you still have time to spend with family, friends and loved ones. We are worth billions, not just millions. We just need to recognise the fact that we have so much to be thankful for, rather than focus on the things we don't have in our lives if we compare ourselves to the so-called rich and famous.

Further on in the book we will deal with the concept of your "Rich Brain versus your Poor Brain" otherwise known as your money psychology. This will probably be the most important part of the book for you to grasp since it is the least focused-on subject with the greatest impact on our financial lives.

In addition to the above, a critical point that you need to understand is that the elusive 'five percent club' who get to experience financial independence **do not** necessarily have a **higher IQ** than the rest of us, or grip the proverbial silver spoon in their mouths. Rather, it relates to their taking serious ownership of their financial life on their journey to independence.

As much as we are a financial services company that assists individuals with their financial planning, we firmly believe that you cannot outsource your retirement planning to anyone else but yourself. It is the same as hiring a personal trainer – he or she can guide you to physical well-being, but you still need to get up, go to the gym and do the training. If you are lucky, you will have the trainer's guidance for five hours out of a weekly total of 168 hours; then you will still have to continue your physical wellness journey on your own for the other 163 hours.

Unfortunately, most of the people that we deal with spend **more time planning** their annual holiday than considering their financial wellbeing or preparing for their retirement. Our aim is to be your planner of choice in your journey to becoming an Ordinary Millionaire and achieving financial independence.

Nelson Mandela was right when he said: "Money won't create success, the freedom to make it will."

Understanding your level of consciousness

We all have a certain level of consciousness when it comes to our lives. One of the immediate levels of ownership around becoming an Ordinary Millionaire is an understanding of your own level of consciousness in relation to your journey towards financial independence.

Let's explain …

Whenever we tackle a new task, we start off by being **Unconsciously Incompetent** – we don't know that we don't know. As a child, most of us would sit in a car and watch our parents drive, holding the perception that it is easy to drive a car. We then move to the **Consciously Incompetent** level – we know that we don't know. Irrespective of your level of confidence or childlike ignorance, the first time that you get behind a steering wheel it takes about twenty seconds to reach this level. Like most of us, it is probable that your mother hung for dear life on the car door and yelled at you to "Stop"!

Once we have reached this second level, we need to put in some serious elbow grease and effort, depending on the level of skill needed to advance. We then move to what is known as **Consciously Competent** – we know that we know. You can now drive around without causing serious bodily harm to innocent bystanders or to yourself, but you still consciously have to go through the motions involved in getting the car from point A to point B.

The last level of consciousness is when a skill becomes second nature – **Unconsciously Competent**. This level typically occurs after a lot of training and many hours spent behind the steering wheel. When you reach this level, you may wonder how you got to your destination at point B when you pull in to park.

Answer this quick, relevant question: **where are you** currently in terms of your level of consciousness with regard to your finances and your journey towards financial independence? Are you in that age bracket where you have given up, or do you still believe that you have lots of time left and don't have to worry about it just yet?

Starting your financial independence journey is pretty much like **planting a tree**. According to an old Chinese proverb, "the best time to plant a tree is twenty years ago and the second-best time is today." Do not waste one more second – start taking ownership of your journey today! Part of taking ownership is making sure that you learn more about the concept of financial independence.

Being financially independent means exactly that – **not being dependent** on anyone to pay your accounts. There is no age limit to this, as with retirement. This is merely that point where you are able to earn a passive income from your businesses, investments and your assets, enabling you to cover your expenses on an ongoing basis. How much you earn has nothing to do with financial independence. We know plenty of professional individuals like doctors and lawyers who make millions annually but are deeply and constantly worried about the elusive 'tomorrow'.

The Dalai Lama, when asked what surprised him most about humanity, answered: "*Man, because he **sacrifices his health** in order to make money. Then he sacrifices his money to recuperate his health. And then he is so anxious about the future that he does not enjoy the present, the result being that he does not live in the present or the future; he lives as if* *he is never going to die and then dies, having never really lived."*

A bank balance that exceeds a million rand **doesn't mean** you are financially independent. Given the current interest rates that you can earn on your bank balance, few people would be able to survive on the return from a million rand.

Consider this: if you invest R1 million at the current rate of return, you would generate a monthly income of approximately R6 000 after tax. Could you survive on this? If your monthly expenses are less than R6 000, you would be one of the few who could claim financial independence; but if, like the rest of us, your monthly expenses exceed that amount of return, you would not be financially independent.

In Part 3 we will deal with the question of how much you really need to be financially independent.

So what is the secret to being truly financially free?

"Money can't buy love, but it improves your bargaining position."

– Christopher Marlowe

The ultimate secret to being truly financially free lies in not just relying on your active income, being the one where you exchange your time for money, but in using your surplus funds to start generating a second, third and eventually multiple **passive income streams**. The aim should be multiple sources of income, each one being enough for you to live on. In this way, if one source is eliminated you still have others to fall back on.

Most people that we know who have attained this status make most of their money by practising a **single skill** within a single industry; in other words, they focus on their core strength and eventually end up developing numerous sources of income around that skillset. Mark Ford, a master wealth-builder, once said this about multiple incomes: *"Many Master wealth-builders that we know enjoy a **dozen sources** of income. Some are modest, some amazing. That's the great thing about creating cash flow. Although you never know what* *will happen with any individual income source, if you get enough of them started, one will turn into a river."*

In Part 3 we will share some ideas on how to earn more than one source of income.

One of the critical components to increasing your level of consciousness in respect of wealth creation is simply to develop **clarity of mind;** thereafter, wealth-building will become easier.

Below is an excerpt from a newsletter that Mark Ford once wrote. We think its message is crucial to understand and to make your own:

"The day after I decided to get rich, I woke up a much smarter guy.

I no longer believed that I could slowly work myself up the corporate ladder. Or that having a million rand in the bank would give me peace of mind.

I was no longer willing to trust anyone with my financial well-being – not my stockbroker, not my financial advisor, or my friends or family members who had "advice" for me.

Most of all, I wasn't willing to trust the company I worked for to guarantee me a lifetime of income.

Before I made wealth-building my number-one priority, I was chasing after so many goals that I was confused and vulnerable to all sorts of self-delusions and bad advice.

But once I prioritised my goals, it was no longer possible to make bad decisions like those. I had developed an instant and permanent instinct about wealth-building that has never left me."

I believe you and I can do this too. We have to start focusing on this concept to make it our own.

Since, in essence, this book is about the journey to becoming financially independent, we want to share some insights into financial independence before we discuss the 7 Secrets of the Happy, Healthy and Wealthy:

1. Only you can take **ownership** of your financial independence – you cannot truly trust anybody but yourself with your money.
2. **It is never** too late to start your journey; however, today is better than tomorrow.
3. All markets rise and fall. **Don't ever believe** anyone who assures you that they can predict the future.
4. If you don't learn to **spend less** than you make, you will never have peace of mind.
5. Most of what you buy when your income is above a million rand is **discretionary**. Do not fool yourself into thinking that you need a bigger house or **the latest model** car.
6. In making financial projections for yourself or a business, always create **three scenarios**: one that shows what things will look like if everything goes as planned; one that shows what will happen if things are mediocre; and one that shows what will happen if things fall apart.

Wikipedia defines financial planning as "the task of determining how a business or individual will afford to achieve strategic goals and objectives". In a layperson's terms, financial planning is nothing but planning and predicting your short-term and long-term financial goals.

Sounds simple, right? Wrong!

As a society we have grown so used to living day-to-day and just making ends meet, that we have lost sight of the future. But our basic daily financial choices will make or break our future. [4]

Financial planning can be chaotic if you are not aware of the basics. The concept of retirement is changing as we write this book. To rule money and avoid being ruled by it, you must learn what distinguishes the rich from the poor. You must learn why you are still running mindlessly in the rat race.

> ***"Do what you love and the money will follow."***
>
> – Marsha Sinetar

The concept of retirement has changed

The look of retirement has changed dramatically in the past three generations. From the early days of the last century until today, people have vastly different expectations to their counterparts one hundred years ago. Decades back, the '**three-legged stool'** was the standard of retirement planning. The legs represented the three pillars of retirement finances: **home**, **company pension** and **personal savings.**

An advisor back then was simply someone who helped his or her clients to make the most of their savings and investments, allocating their portfolios to reduce risk and earn a fair rate of return. However, people were less dependent on that money than they are today; then, many people thought of the money as 'a little extra on the side'.

The imminent collapse of the three-legged stool

The three-legged stool has changed entirely since then. In fact, it is wobbly to the point of collapse. The only strong leg left is what retirees can **do for themselves** through their investments. Many people have most of their savings in a retirement plan and, what used to be 'a little extra on the side', now makes up the bulk of a retiree's financial security.

Since retirees now **live longer**, they must find a way to make that money last longer. In effect, they now have to create their own pension from their assets, and they face a significant challenge in learning to do so. In many cases, they are simply not prepared. As Mark Twain said, *"Money is not the root of all evil, the lack of money is the root of all evil"*.

Retirees are confronting a wide range of problems and uncertainties, not the least of which is dealing with the **longevity** that **medical advances** have made possible. The cost of healthcare has been increasing considerably faster than inflation and retirees fear that they cannot afford long-term healthcare insurance. They face an economy of uncertainty, potentially low interest rates, the highest unemployment rates and potential retrenchments, with people often being forced into early retirement. In addition, the stock market has experienced what is being called 'a lost decade', with volatile swings that have denied people the kind of returns they had expected. [5]

Redefining retirement

In the face of all these challenges, people still have to retire. If they are to survive, they will have to **redefine retirement.** A happy retirement is no longer a simple matter of a gold watch and a pension fund.

A few generations ago, people would commonly move in with their children at retirement. But today relationships are a lot different. It takes two salary earners to get by and, in many cases, this means that no one is at home to offer care to elderly parents who often might require professional nursing care during retirement.

So Grandpa and Granny have to make it on their own for twenty-five or more years than expected. This is certainly long enough for inflation, even at a conservative rate of six percent, to devastate their nest egg. For instance, if you apply an inflation of just six percent to a monthly income of R20 000, the 'buying power' of the R20 000 will be reduced to R10 772 after just ten years, and a measly R5 802 after twenty years. In other words, without proper provision, your money will run out!

It's essential to start planning early

Years ago, when we started our financial planning practice, we began to work with clients to help them control their money as opposed to allowing their money to control them. We learned valuable life lessons over time, becoming increasingly aware that people are susceptible to **making mistakes** and often let money fall through the cracks. Over time, their investments dwindle. Once they realise their mistakes, it is often too late.

We also came to understand how to help people achieve their goals of financial security rather than suffer crippling losses time and time again. We learned there was a **better way** and experienced the fact that, despite any market correction that might come, we could still earn a fair rate of return and be assured of a reasonable income adjusted for inflation. We could put the right plans into place for long-term financial security.

We discovered, too, that there are numerous **reasons why** people resist the idea of financial planning and, as a result, decline to engage in the financial planning process:

1. Many people fail to understand that financial planning is not only about purchasing or investing in financial products; it is also about the development of a **financial plan** that will assist them to achieve their financial goals.

2. They are often **ignorant** of the reasons for the need to engage in ongoing financial planning through a process of monitoring and review.

3. They face **mounting debt,** a situation which can be better managed by putting together a debt reduction or management plan.

4. Many people place financial planning as a **low priority** because they do not understand the benefits it can bring.

5. Some people base their decision on **previous negative** experience with financial planners and product suppliers. This includes the purchase of inappropriate products as a result of insufficient analysis of the client’s situation and the poor identification of needs and objectives by the financial planner.

6. Many people perceive the industry to be **sales-driven** and not solutions- and service-driven.

"Rule No. 1: Never lose money. Rule No. 2: Never forget Rule No. 1."

– Warren Buffet

Your mistakes will be your greatest mentors

It is evident that our industry does not often teach people that their mistakes need to be their **greatest mentors**. Unfortunately, the goals of so many in our industry are not in line with the goals of the average investor who is being fed a lot of false information, some of it intentionally. People are potentially being harmed and sold false dreams.

One of our clients had R1 million invested through a broker, the same broker who they had used for years as they accumulated money. Before the couple came to see us, their broker had told them that they only had R600 000 left – they needed to reduce their income or sell their holiday home because they were going to run out of money. It was essentially the broker's fault, yet they had no recourse, at the time, because they had been given bad advice.

The couple's accountant referred them to us to analyse why they were running out of money. When we recalculated their numbers, we explained that if they had received our advice from the start, their investment would have reached about R1.2 million at that point. The difference is a staggering R600 000 rand that could have been directed into their **retirement planning.** As a result of bad advice, they had lost about half. They had been taking too much risk in the market and withdrawing money from equities as the market was plunging; they were also paying high fees. This is not an income plan!

The couple did not know about a simple process, which cost them hundreds of thousands of rands and possibly their financial security. The root of their problem was that they had remained with a broker who focused on the accumulation of assets. They had never made the move to an advisor who specialised in building wealth. In fact, they were completely unaware that such advisors existed.

"Money is a horrid thing to follow, but a charming thing to meet."
– Henry James

A new stage of life

We have read that most people will not attempt to climb Mount Everest on their own. Typically, most climbers rely on Sherpas who have served as mountain guides for generations in Nepal, high in the Himalayas. They help climbers to prepare, set up and show them the routes that will get them to the top, and guide and support them on their journey to the summit.

The Sherpas are acclimatised, **highly experienced** and know every detail of the trails. As guides, they are even more essential in guiding climbers on their route down to safety. Coming down the mountain can be even more perilous than going up: climbers are exhausted and struggling with altitude, their defences are down and they may well fall if they lose concentration. Even good, experienced climbers need the seasoned Sherpas.

Another good example of this point is the outstanding South African athlete Wayde van Niekerk – despite being one of the best athletes in the world, he still consults a coach!

When you **approach retirement,** you are moving to a different phase of your life. You are descending the mountain that you have spent years climbing in the accumulation phase of your life. Now you should be preparing to reap the benefits of all your hard work, and your stance should be to preserve your life savings.

When people are in the **accumulation** phase, they are saving, growing, investing and taking risks – they are accumulating their assets. This might be in the form of a retirement annuity to which they are adding during their working years. When the market has a correction, which is guaranteed, they might not enjoy looking at their statements, but hopefully they're still adding to their retirement accounts. They still have an income, so they don't need to tap into those savings. These people will recover from the market drop much faster because they're not taking out any money and they're adding more money to the account; possibly their employer is matching their retirement contribution as well.

These accumulators will have experienced a drop in the market but, within a few years, they will be back to where they were before the drop, perhaps with more. They may come to expect the same in retirement, but regrettably they will be in for a rude awakening – not only will they be drawing from the account in retirement, they will no longer be contributing to it. If the market drops again, they will be in financial peril.

In retirement, people should move from accumulation to **preservation.** You must live from what you have accumulated, and it must last you your lifetime. If you are married, it must last your spouse's lifetime too. The focus changes to preserving what you have and generating income from that money as effectively as possible.

You need to build your wealth

Most people change advisors when they realise these implications. The majority of advisors focus on accumulation and, when the market corrects, they tell you to hang in there because the market will recover. "Wait it out," they say. A retirement planning **specialist,** in contrast, focuses on retirement. You need qualified advice, and it must be specific to your needs and circumstances. A plan cannot be made around the water cooler – what may have worked for your colleagues and friends might not necessarily work for you.

If you do not **change your investment strategy** for retirement, you risk cracking the nest egg that you nurtured for so long, and possibly losing most of it in a few short years. Even if you have ten million rand or more, you might have to go back to work against your will. It could be that bad.

If during all your working years you saw the market bounce back after a correction, you may continue to believe that this will always be the case. However, if those **bad years** come early in your retirement, while you are withdrawing from your investment, your portfolio is unlikely ever to bounce back, even if the market does. This can seem like a foreign concept to those who are still in accumulation mode. They may refuse to believe that it could happen to them, but they could end up sadder and wiser.

We will explain later in the book just how this startling scenario develops and which **steps you need** to take to make sure that it doesn't happen to you. You don't need to live in anxiety, watching every tick of the markets. Proper planning will allow you to move forward in comfort and certainty, no matter how the economic winds blow.

You deserve financial freedom

In this book, we want to make it clear that you can **set up a plan** that will give you security and peace of mind for the rest of your life. It's a plan that will take into consideration your individual needs as well as your goals and desires – for yourself and your family.

In these pages, you will find abundant advice on a wide range of topics dealing with building your wealth along the path towards becoming a millionaire. We will help you to **understand** the issue of inflation and other threats to your wealth and wellbeing, issues which probably weigh heavily on your mind. We want to reassure you that you can move forward with confidence and freedom from debilitating fears. Yes, it is likely that you will see money falling through the cracks, but now you will be able to see those cracks and to take steps to repair your portfolio.

Many of our clients, including those on the cusp of retirement, learnt a **harsh lesson** in 2008. Given the proper advice, they need not have learnt this lesson. We want to do our part to remedy that situation and allow thousands of retirees to remain securely on the path to prosperity.

When it comes to **mismanaging** our finances, it is always easier to blame others than to admit that it was our fault. It is crucial that we accept the truth … we are 100 percent responsible for our own financial decisions! The power to change or improve your financial situation lies in the decisions you make on a daily basis.

"Beware of little expenses; a small leak will sink a great ship."

– Benjamin Franklin

Ordinary Millionaire Action

1	I am an "Ordinary Millionaire"?	Y	N
2	I currently manage my finances with a budget	Y	N
3	I know the total amount of assets I own.	Y	N
4	I know the total amount of liabilities I owe.	Y	N
5	I know my current net worth.	Y	N
6	I know what is my required retirement amount.	Y	N
7	I know how far I am on track to achieve my required retirement amount?	Y	N

Notes: ______________________________

Rich Brain, Poor Brain - The Psychology of Wealth

"All money is a matter of belief."
– Adam Smith

It was the spring of 1950 and a young male adult was close to graduating. He felt that he was fully **qualified** to achieve his goal of becoming a millionaire by the age of thirty-five with no further education. So certain was he that he would be chosen to enter Harvard that he was already urging his close friend to join him there, without even having yet applied.

This single-minded young man qualified for a scholarship and took a train to Chicago for his interview at Harvard. He was nineteen, two years younger than most of the college graduates and much younger than an average business-school student. He had good grades, but not excellent; he also had **absolute confidence** that his knowledge of stocks was enough to make an impact. He was asked to enter a room and to introduce himself to the interviewer. Ten minutes passed and he got the shock of his life. He had not been given the opportunity to show off his knowledge of stocks. The interviewer **rejected** him and gently told him that he would have a better chance in a few years' time.

Naïve as he was, he didn't take the rejection well. When he received the rejection letter, his first thought was, "What will I tell my mom and dad?" He started researching other graduate schools and, while browsing through the catalogue of Columbia Business School, narrowed them down to two names – **Benjamin Graham** and **David Dodd**. Now Harvard was his dream, but he had been mesmerised by Graham's book, The Intelligent Investor.

Unfortunately, it was past the admission date and he was too late. Or was he? Determined that he would go to Columbia, he decided to write an application.

"I wrote in August, about a month before school started, way past when you were supposed to do it. Who knows what I wrote? I probably wrote that I just found this catalogue at the University of Omaha, and it said that you and Ben Graham taught, whereas I thought you guys were on Mount Olympus someplace just smiling down on the rest of us. And if I can get in, I'd love to come. I'm sure it was **not a very conventional** application. It was probably fairly personal."

The application, however unconventional it was, landed him an admission into the college without an interview, and even after the deadline. [6]

Today, he is a self-made billionaire, an American business magnate, investor and philanthropist. He is the most successful investor of the twentieth century.

Warren Buffet!

If **Warren Buffet** can become a billionaire by still being ordinary, we can definitely become 'Ordinary Millionaires'.

This chapter is one of the most important in the book. It covers concepts that are rarely talked about, yet are some of the biggest drivers towards success and riches. It is essential that you pay careful attention.

Why aim for a million?

Why are we talking about becoming a **millionaire**? We think people want to become millionaires because one million is a nice round number. It's enough to be life-changing when you have it.

Most of us probably know someone who has a million, although they often don't look like it. Many millionaires have ordinary lifestyles. However, there are many people who live millionaire lifestyles – beautiful designer clothes, luxury holidays, costly watches and expensive homes adorned by interior decorators, whose net worth is no better than yours, and possibly a lot worse.

What you and other observers cannot see is the cost at which they live these lifestyles: the mounting pile of debts, the heavily mortgaged house and the stack of maxed-out credit cards. This is not what we mean by millionaire.

Here we are describing the security of R1 000 000 (or more) in cash, investments and/or business assets to provide you with an income, perhaps meaning you need never work again unless you decide to in order to improve your lifestyle or your wealth.

We do not include in that million the value of the equity in your home. Although highly valuable, this equity doesn't provide you with the income you need to live on. We are talking about income-generating assets.

Of course, a million **isn't what it used** to be. A millionaire of the 1950s would be the equivalent of a decamillionaire today, which means having over ten million.

But let's stick with a million here. If you can accumulate a million, then you'll know how to **keep going** until you have as much as you need or want. A million is a round appealing sum to aim at and to start with.

Does it seem like an impossible dream?

Perhaps you have **dreamed** of becoming rich before, but have not done anything about it because it seems so impossible – too far away even to contemplate. And as you have sat there, frozen, time has passed you by, maybe years, and you find yourself no nearer to your dream.

It is important to realise that **every step** you take from now on is another step to your successful future as a financially free person – therefore not reliant on a job, the economy, or on handouts from the state or your family.

A lot of people today have an **entitlement** mentality and assume that it's someone else's job to pay for their lifestyle. Well, maybe it is, but you can only trust yourself to take care of your future and your well-being. We are going to make our own decisions about where we live, what we do with our time and how we live. This means that we need to have enough money to be able to make these choices and to be secure.

There are many, **many millionaires** in South Africa – and we are not counting those whose houses are now worth a million, but who don't have the liquid assets to be secure. There is **no reason** at all why you cannot be a millionaire too, even if you are starting with less than nothing and you're in debt.

If you have the intelligence and education to be reading this, then you have all that you need to succeed. Yes, okay, you may have more difficulties/commitments/job problems than others, but it's time to grow up and stop thinking of excuses. It's time to take action.

This book **will help you**. Each section is the introduction to the necessary information you need for a quick start to get you out of the stage of paralysis and onto your journey to wealth. All you really need is to make a commitment to yourself that you will do whatever it takes to get there and believe in the end result.

"If you can imagine it, you can achieve it. If you can dream it, you can believe it."

– William Arthur Ward

When it's broken down into small steps, it's less daunting.

For this reason, in this book, we are showing you how to break down your target. You have heard of the old Chinese proverbs, ***"A journey of a thousand miles begins with a single step"*** and also, "The man who moves a mountain begins by carrying away small stones".

If you are determined, your net worth can be tens of thousands, if not hundreds of thousands better this time next year, or even sooner. Then your journey can continue – with your higher confidence helping to boost your ways of gaining more and more, faster and faster.

However, if you **want to be** a millionaire, you must be serious.

You have got to be willing to save your money and put it aside, and to do that again and again to build up your million.

If you spend the money as it comes in, you will never amass a fortune. When your income goes up, so do your 'essential' spends. In the end, you will have a home full of 'nice-to-haves' and be as good as bankrupt instead of a millionaire.

Find your why or you won't last the course

Becoming a millionaire can be a long, hard slog (and this is especially true at first), so it is really important to **know why** you want to be a millionaire (or a multimillionaire). Anyone earning on average more than R2 083 per month will have earned around a million rand or more in their working career, yet how many have anything to show for it? (Unless they have been lucky with their home purchase and have increased equity.)

Personally, most of us don't really want to own a Porsche or Ferrari, but many people are fired up by the thought of it. Tell yourself you need to have enough money invested to bring in sufficient passive income to pay the running costs of the Porsche, and there's your "Why".

Maybe you want to be able to **travel extensively** before you are too old to enjoy it. Work out your approximate living and travel costs, how much you need invested to pay for these, and there's your "Why". Maybe you want security for your family – there's your "Why".

"Finding my why is the first step in the process. I believe that freedom and being a valuable member of society are my why. Some may find it hard to picture a life that is different from those that they know. Therefore, it is necessary to find a mentor and associates with the same goals. My goal of being financially free includes being able to do what I want when I want and the rewards of a life of my choosing and being a valuable member of society."

– Syracuse K T

Reprogram your wealth thermostat

Our subconscious works like a **thermostat**. If it is set to eighteen degrees, the room will have a temperature of around eighteen degrees. The only way to change the temperature in the room is to reprogram the thermostat. Your thermostat is your **mind**. To be rich, you need to **reprogram** your mind for money, success and fame.

"If you always do what you always did, you will always get what you always got." You must be willing to do something you have never done before, in order to get to where you have never been before."

– Albert Einstein

A 'wealthy' thermostat

"Wealth, in even the most improbable cases, manages to convey the aspect of intelligence."

– John Kenneth Galbraith

Most of us are **wired** to repeat things. We eat the same food, have the same thoughts, drink the same cappuccino, listen to the same music, and carry on with our same usual lives. If your thermostat is set to 'poor' you will always be poor; but what if it is set to 'riches'?

Donald Trump has been declared bankrupt three times and yet he is a billionaire once again. He even went as far as to sue a newspaper reporter who dared to call him a millionaire and not a billionaire. You can have no doubt as to the level of his **wealth thermostat.** His self belief even moved him to run for the ultimate job in the world, that of US president and attaining it - against most people's views.

Warren Buffet at one time lost so much in Berkshire Hathaway that he mentioned it as possibly one of the worst trades of which he has been a part. Today he buys businesses that are in distress.

His **thermostat** is set so high that it would simply not allow him to let go of things. Consequently, his mind is able to find new ways to bring in money, irrespective of the losses he has encountered.

Similarly, almost all rich people we meet are **optimistic**. They know that if they lost all their money today, they would earn it back in a couple of years. They know that the biggest difference between the rich and the poor is the amount of money they can hold inside their minds.

Impoverished versus wealth consciousness
– What it takes to have a wealth mindset

There are two different types of consciousness: one is **impoverished** and the other is **wealthy**. We all know people who are on one side or the other, and most people fall somewhere in between with a mixture of both.

The average South African is living from payday to payday, just trying to **survive**, wanting something better but not knowing exactly what to do or how to get there. Too many people complain about their poor finances and do nothing to change their situation. Just picking up this book is a start; you are now on a new journey – on the road to something better.

There is no doubt that **wealth** really is a mindset. To acquire more money, you have to start by changing how you think about money. First, let's talk about how you currently think about money. The easiest way to discover your beliefs about money is to think about how your parents thought of money. Impoverished and wealth consciousness is really taught from generation to generation. It is handed down from parent to child because their parents taught them about money in the way they are teaching you.

Before we continue, let us clarify something about being impoverished and wealthy. Consciousness is a **state of mind**. In fact, it is because of this state of mind that people are where they are today. Not just financially, but in other areas of their life as well. The goal of this book is to give you the tools to a **'wealthy mindset'** so that you can have more money in your life, enjoy it and be abundant in spirit.

To start the process of change, you first need to recognise what it is you are doing that is getting you the **results** you are receiving. We were not taught much, if anything, about money at school so many of us might not know the necessary steps to get us where we want to go versus where we are today.

Now remember, **impoverished consciousness** is a state of mind. It does not matter how much is in your bank account; what matters is how you think about that money. We all know people who are very rich with a few million rand in the bank. They aren't necessarily the 'flamboyant' type – they're just the millionaire next door who doesn't drive a fancy new car or go out to five-star restaurants every night to eat.

A question to consider, "Do you have a poverty or abundant mindset?" Poverty consciousness or people who plead poverty typically use poverty-conscious words (you may well have used them before):

1. Money doesn't grow on trees.
2. Do you think I am Harry Oppenheimer?
3. Money is the root of all evil.

Or some negative wealth affirmations:

1. I can't afford that.
2. It's too expensive.
3. I can't get that.
4. That will never happen to me.
5. Out of my price range.
6. Who would pay that?
7. That's ridiculous!

8. The rich must have cheated someone.

9. I'm not worthy.

These are the tools of a poverty consciousness, the tools of a poor mindset.

We have all heard of, or know, people who have the money, but they speak these words and reveal their impoverished mindset.

Many people believe that the rich are **greedy** people. To broaden the scope, there are poor people who are greedy and there are middle class people who are greedy. Rich people, who are perceived as the greedy ones, just have more money. Some rich people are very generous and some poor people are very generous.

On the flipside of this coin, to develop a wealth mindset, you have to **stop** getting yourself into **a hole**. And, in order to get yourself out of a hole, you need to stop digging!

Declare your riches

The start of the journey to wealth is to **stop** doing what you are doing, which is speaking lack into your life. This is as simple as not speaking when something might be out of your price range at the moment, or by not speaking about the money not being there. Speaking of lack just makes it more concrete in your being, and more real. Speaking of insufficient money in the bank is just going to get you more insufficient money in the bank.

Joel Osteen, a minister at Lakewood Church in Houston, Texas, tells a story about himself shopping with his friend who kept repeating, "That's too expensive" or "I can't afford that". He then told his friend that by using those words of **lack**, he kept expressing that he would never rise above what he is telling himself and the world around him.

Stop discussing the fact that you don't have enough or aren't able to afford something. When you stop speaking of lack, you stop digging the hole you might be in. If you aren't where you want to be in life with money, then you have been speaking lack. This might sound too easy to some but, as William James – a philosopher and physician of the 1800s – stated, *"The greatest discovery of my generation is that a human being can alter his life by altering his attitudes."*

Co-author Ricki Reynolds, in the book Endings that Begin: A Journey into Love, states: *"With the power of our own thought, emotion and action, what we give out comes back to us, first within our own being."* She also states: *"Our voice is another powerful sound. It creates vibrations and energy. It carries intent. It can uplift or destroy. It speaks to the universe. God's Word called existence into being. Our voice is a gift God gave to us, and we can use it to create, to manifest into being."* [7]

When you realise the **power** that is generated within your being when you truly make a decision, you might start to have a much greater appreciation for your own decisions. This will be something that you have to train your brain to do – a work in progress. The importance of decision making will be realised when you start achieving the thing that you have put your mind to achieve, an important step towards what you will become or create.

Russ Whitney stated in his book Building Wealth, *"We believe what we say. When we respond to greetings with a mumbled 'I'm doing ok' or 'I can't complain', we build a life that fits that description."*

In his video programme Teach to Be Rich, Robert Kiyosaki said that the most important thing you have to make yourself rich are **your words**. Poor people use poor words; rich people use rich words. Increase your vocabulary and you increase your wealth.

For example, do you know what 'cash flow' and 'capital gains' are and the difference between them? If you use the right words, you will become wealthier. To learn any subject, you first need to learn the terminology and vocabulary that goes along with it.

Robert Kiyosaki makes various perceptive statements that focus on thoughts. These include: *"Our financial problems are caused by the* ***way we think****. We have to change the way we think about money."*

And, *"Once my thoughts and attitude changed, my actions changed, and so did my results."* Finally, *"Leverage can come in many forms. Leverage can be your thoughts. People who win are careful with* *their thoughts, not saying 'I can't do that'. Or 'It's too risky'. Or 'I can't afford it'. Instead they say, 'How can I do that?' Or 'How can I reduce my risk?' Or 'How can I afford that?'"*

The quality of your questions

George Bernard Shaw states, **"People who say it cannot be done should not interrupt those who are doing it."** A tool for your wealth mindset tool bag is to start, as Robert Kiyosaki suggests, and ask yourself questions such as "How can I afford that?" or "What would I have to do in order to achieve that or obtain this?"

Asking yourself these kinds of questions opens you up to the solutions. This action links with the maxim, "Where there is a will there is a way". When you hear people say "I can't afford that", what they are really saying is "I don't want to put in the effort to try to find a solution to that problem."

Speaking lack is a way out for people. It's a scapegoat. Wealth consciousness includes **looking for the opportunities**; impoverished consciousness includes looking for the excuses. You were not born a loser; you were born a winner. If you were to ask someone to come over to help you with something you are having trouble with, and that person takes one look at it and says, "I can't help you with that", then they are shutting down. The person is not making any effort to try to find solutions to your problem. [8]

However, if that person came over, looked at it and said, "Well, let's see how we can fix this", and started to brainstorm the different ways that you might go about it, they are opening up different solutions. This is the main thing that the rich do. They look at an issue with money or something they might want and, instead of saying "I can't", they say "How can I?"

Your inner world creates your outer world

One of the biggest lessons that we have learned – and experienced personally – is that two people can sit side by side, using exactly the same **tools and strategies,** and experience a completely different outcome. One person can take these tools and strategies and skyrocket to success; the other person will make no progress at all.

Why would this be?

T. Harv Eker, best selling author of The Millionaire Mind, said it very succinctly. *"You can have the greatest tools in the world, but if you have just a **tiny leak** in your toolbox, then you have a real problem."* The 'toolbox' in this case is the **mindset** we carry in our heads. It is pointless to talk about success strategies and financial wellness concepts if all the components are not addressed. It is extremely important to understand that we don't live in just one world. We live in at least four different worlds simultaneously: the **physical, mental, emotional** and **spiritual** worlds.

What many people never get – and it's something you should clearly understand – is that your physical reality, what actually happens to you in your life, is nothing more than a **hard-copy** printout of the other three invisible quadrants – the combined results of the other three worlds. In other words, factors such as money/wealth, health/illness and weight are simply a reading of the **hard-copy** printout.

We live in a world of cause and effect

Have you ever heard anybody say that a lack of money is a real problem? A lack of money is never a problem. A lack of money is merely a symptom of what's going on underneath. If we want to change our outer world, we need to start to change our inner world first.

"The more I practise, the luckier I get."

– Gary Player

Wealthy people create their own luck

The 'process of manifestation' has proved to be a valuable concept. It means that your **thoughts** lead to feelings, your feelings lead to actions, and your actions leads to results – it all begins with the way you think. [9]

Thoughts - Feelings - Action - Results

Wealthy people believe they **control** and **create** their lives; poor people think they simply live a life. It's like being the driver of a car versus being a passenger. As long as you have a 'passenger' mentality, you will go where other people take you. If you are in charge and 'driving', you will be able to determine the final destination.

To be successful and to start **resetting** your internal mindset, you need to know what are the building blocks for a successful life.

Considering this statement, what is your current emotional experiencing in life?

Which of these emotions and phrases describe you best?

Successful	Y	N	Happy	Y	N	Caring	Y	N
Fearful	Y	N	Hurt	Y	N	Angry	Y	N
Confused	Y	N	Anxious	Y	N	Unmotivated	Y	N
Frustrated	Y	N	Limited Success	Y	N	Sluggish Results	Y	N

Sometimes it is easier for us to describe our emotions than to understand what creates these emotions.

The roots create the fruits

T. Harv Eker in his book The Millionaire Mind uses the **analogy of a tree.** Suppose the tree represents life. Fruits grow on this tree. In life, the fruits are called our results. So, we look at the **fruits** (our results) and we don't like them – there aren't enough of them, they're too small, or they taste sour. In our financial analogy, we don't have enough money (the results of our labour/business).

So, what do we tend to do? Most of us **focus** even more attention on the fruits (our results) and start worrying more about our lack of money (fruits/results). But what is it that actually creates the fruits that we don't like? Fruits grow on trees, and trees are the result of the water and nutrients they consume via their roots. It's what's under the ground that creates what's above the ground. The money we earn and our financial situation have nothing to do with money! They have everything to do **with our roots** regarding money – the way we think about it, the way we talk about it, the way we react around money. In other words, our money psychology.

If you want to **change** the fruits, you will have to change the roots. If you want to change the visible, you will first have to change the invisible. Everything we see that manifests around us is the result of other things happening first. Money is a result, as are health, wealth and happiness.

Since **lack of money** is the effect, what then is the root cause of our situation? Whatever results we are receiving – whether they are rich or poor, positive or negative, illness or health, always remember they started on a different level. Internally. Our outer world is a reflection of our inner world. [10]

Retrain your brain to release your unconscious power for exponential results

John Assaraf, two-time New York Times bestselling author of The Answer, among other books, is the founder of a number of million dollar businesses and owner of Neurogym, a business that explores **cutting-edge technologies** around the better understanding of the brain. He shares the latest brain based methods for a quick release of the hidden unconscious obstacles that prevent people from accelerating their business growth and lifestyle.

John shares the same methodology around our lifestyle as we experience it, i.e. we need to **retrain our brain** to get different results. His methodology is based on the simple consideration that our lives are the result of our thinking, among other factors.

Consider this, **"Why are you in a poor financial state?"** Is it because of the money you earn? Or what you do with the money you earn? Or perhaps you are not earning enough money. This leads to the question, why are you not earning enough money? The answer is never about the money! Hopefully you are starting to see what we mean by this.

So, if we live in a world of **cause and effect**, what is causing the results in our lives?

Maybe you are getting that Aha! feeling – it is our ACTIONS!

What causes our actions? If I am a habitual shopper, what causes this? Our actions are not the real reason, however. Consider the following:

1. Our actions are the **combined impact of our behaviour,** which is rooted in our beliefs or mindset – this is both implicit (our subconscious mind) and explicit (our conscious mind).
2. Thereafter comes our **thoughts**, of which we have about 70 000 per day. Our thoughts are **filtered through a processor** called our Reticular Activation System (RAS), which leads us to our thinking. In this process we form habits that can be constructive and positive, moving us closer to our goals, or destructive and negative, moving us further away from our goals.

3. Lastly we are **left with emotions**. These can be pleasant, feel-good emotions, i.e. our brain likes to try new and exciting things, or we can face unpleasant or negative emotions that cause a chain reaction. We would far rather stop taking action if it can prevent us from having to face fear. This will lead us to lose our motivation to take action in anything that we perceive as negative.

In light of the above information, when we consider our relationship with money and our finances, it is **more complex** than just what we earn and how we spend it. In the next chapter we will explore ways to take control over our financial intelligence or FQ. [11]

Carve your path to becoming a millionaire

On the road to becoming a millionaire, people typically begin to think about what they have always wanted to do and what they will leave behind when they are gone. How will they be remembered?

Until you know your **goals and priorities,** it is impossible to create an effective financial freedom plan. You can't plan until you know what you want to do. There's generally no point in setting out on a trip and consulting a map if you **don't have any destination** in mind. You need to know where you are going. An effective retirement plan must be tailored to your specific needs and goals.

Every individual's definition of financial freedom is different, but the common goal should be to reach financial security. Since many retirees today are in excellent health and can easily anticipate three decades in retirement, they need to **plan for many years** to come. Financial security will allow you to spend the hours that used to be consumed by work and career on hobbies or activities with friends, old and new.

Many retirees have been able to save a good amount of money during their peak earning years, which they will need to **fund the lifestyle** that they have dreamed about. They may have been advised that they could probably live on a lot less during retirement.

This was incorrect advice. An active life of travel, friends and fun is expensive.

"A fool and his money get a lot of publicity."
– Al Bernstein

The risk of spending too much, or too little!

If you don't have a plan with specific goals, if you **don't know where your resources will take you** and how long they will last, you may live in unnecessary fear, embarrassed by your frugality. You may spend less than you can truly afford. Years later, in failing health, you may look back with regrets about unfulfilled dreams.

Perhaps your **lack of perspective** about your financial situation will lead you to take too many risks that deplete your savings and compromise your financial security. Or, you may simply spend too much. Later in life, you have to cut back drastically. We've seen the sad consequences – you tend to end up feeling alienated from friends who no longer invite you on outings because you cannot afford the cost.

How pathetic to have to tell yourself someday, **"If only I had planned better, this wouldn't have happened"**. Or how pathetic to have missed out on life's joys simply because you were too fearful. Both extremes are sad and utterly avoidable.

Identify your goals and dreams

To start taking control of your inner money game, you need to follow a **process of goal setting.** To bring greater clarity to the course of your financial freedom, you need to take stock of your life goals and to organise them by priority.

Just what are your dreams and goals? Write them down as a tangible part of your financial plan. Ask yourself specific questions and write down what comes to mind.

1. What and who are important to you?
2. Who do you wish to help? What do you want to learn?
3. Where do you want to go?
4. What makes you feel happy? Fulfilled?
5. What have you always wished you had time to do?
6. Do you have a 'bucket list'?
7. Take a peek into your future as you imagine it will be.
8. Do you see yourself travelling?
9. Daily rounds of golf?
10. Indulging in a hobby?
11. Spending time with grandchildren?
12. Do you plan to work part time or perhaps volunteer for charities?
13. Do you intend to help other family members financially?

If you don't have goals, it is impossible to plan a path. You will become a rudderless ship on a vast ocean.

Set realistic goals

In your personal situation, **you need to identify** what your **discretionary** and **non-discretionary** expenses are. How much do you want to spend to attain your personal goals, and how much must you spend to survive? Many parents encourage their children to leave South Africa for a more secure future without thinking of how they will afford to travel overseas for visits. Later in the book we discuss how your non-discretionary expenses should be funded through guaranteed income sources. This means you need never worry about running out of money for your essentials.

It's important to get a handle on the withdrawal rate that **you will need to fund the lifestyle** you desire. Consider what will happen if your investments don't go the way you expect. Your lifestyle could change dramatically. You may find yourself unable to keep pace with your golf buddies. If maintaining those relationships is of high importance to you, does your retirement plan allow you to maintain them under any circumstances? In other words, are you being completely realistic about the kind of lifestyle that your portfolio can provide?

Many people are simply **not clear** about how much they can or cannot take from their portfolio. They don't know what they can afford. No one has taught them this information, so they base their decisions on their experiences. But those experiences can be misleading. For decades, the stock market seemed to head ever upward, as did real estate. Pre-1994, the JSE had an average growth in excess of twenty percent. No wonder endowment growth was projected so high. After exchange controls weakened, however, so did our stock market performance. Thus the 'norm' has changed. Those investors have since faced significant struggles. It's important to recognise, what can happen if you base your lifestyle on the support of fluctuating economic cycles. Like friends, they can let you down.

People in their fifties tend to base their perception of their market's performance on how it fared when they **began their** investment life – in other words, phenomenally. It's only recently, since the turn of the millennium, that their eyes have been opened. It's human nature to turn our experiences into expectations. Retirees, therefore, are led to withdraw from their accounts even as they sink, fully expecting that the market will restore them. After all, that's what happened in the past. But this is not necessarily how the market will perform in the future and once retirees start those withdrawals, the situation worsens dramatically.

Meanwhile, inflation has a disproportionate effect on retirees, for example as the rapidly rising cost of medical care illustrates. If **high inflation** rears when you are retiring, you can be left devastated. Inflation may have averaged only a few percent a year over the generations, but you're not dealing with an average. You're dealing with you. You're dealing with what you are facing now in the real world, which is why you need to be realistic about your dreams. You have to plan for the worst, even as you are hoping for the best.

Match dreams to resources

It helps to identify the **date by** which you wish to achieve financial independence. You also need to identify what might get in the way of that independence, such as a market correction, significant inflation, an increase in taxes, or health issues. **Your dreams, in other words, must match your resources.** If you don't have a handle on this, you will face troubles, including a feeling of social isolation when your friends leave you behind.

"People with goals succeed because they have a plan – it is as simple as that."

– Wouter Snyman

Goal setting is that really important process where you determine what your ideal future would look like. Unless you have arrived at utopia, your future world would look different than your current reality. Our greatest challenge to overcome is the fact that our present and future are at odds with each other, certainly when it comes to our financial goals and physical wellbeing. Imagine a world where you can live life as if there were no tomorrow….

Goal setting involves **visualization** – a process where you "see" your future self, what you do, who you do it with and how you will be able to afford your future lifestyle. The act of visualization, as much as it is still clouded in mystery, has been proven to work exceptionally well in "creating" that future world.

Numerous studies have shown that people who wrote down their goals and visualized them were significantly more likely to achieve them.

An amazing exercise you can do to determine your exact dreams and goals is an exercise we call **“Back to the Future”**. If you were born in the 60’s or 70’s you will remember a movie by that exact name, where a teenage Michael J Fox time travelled to a future date, which by the way was set for 2015!

If you go through the book you would see a number of exercises to do. These exercises are meant to help you **visualize the future** you want and the ability to start writing them down. This will help you travel to your future and start building your new reality every day.

Napoleon Hill wrote an amazing book titled “Think and Grow Rich” which helps with the process of visualization and mapping your goals in six simple steps:

1. Fix in your mind the **exact detail** of what goals you desire.
2. Determine exactly what you **will give** to achieve your desired goals.
3. Establish the **exact dates** when you want to achieve your goals.
4. Create a **definite plan** to carry out your desired goals.
5. **Write out** all your goals in a clear and concise way.
6. **Read** your written statement of goals and desires twice a day, once in the morning and once at night.

In all our research on the most successful individuals we have observed their ability to set goals and work on them daily in the above way. Successful people have **successful habits** that they follow on a daily basis, it is as simple as that.

A real practical way to do the above is to take a sneak peek into your future and visualize a **perfect day**, 10 or 20 years from today. This day is reflective of your ideal life where you have achieved all the goals you have set yourself and you share with the people you care about the most.

Here are the typical questions you have to ask yourself to construct that ideal day!

1. What time do you wake up? Do you set yourself a schedule to achieve something first thing in the morning, such as time for your "Hour of Power"?

2. With whom do you wake up beside you? In your relationship goals you would have specified who the people in your life would be! This is one of the most important goals to get right!

3. Where do you wake up? In other words, where do you stay, if one of your earlier goals was a specific house or area you would want to stay?

4. What do you do first thing in the morning? In question one you would have a scheduled time to wake up so that you can do some meditation and praying, maybe a scheduled morning training session (if so, what would that entail, i.e. would you go to gym, just go for a run or a cycle session? Also do you train by yourself or with someone specific?).

5. What kind of breakfast do you eat that would be fuel for your body and day? And who do you eat breakfast with?

6. Considering the above 2 questions, another question would be, "What do you look like?" In other words, in what physical shape are you? The answer to this question undoubtedly lies in the way you handle yourself during the day in respect of physical wellness, eating and general wellbeing goals that you live daily by!

7. Do you set out some time for personal development and learning opportunities? What is this and what does it entail?

8. Once your early morning routines have been done, next

question would be. "What work do you do, do you drive to my office, do you work for a specific company and what do you do? Remember this is your ideal day! You construct it with your dream career or business.

9. With whom do you share your day, who are your colleagues in business? Who works with you?

10. Who are your ideal clients you deal with who values your business and professional input. Where do you see them, do they visit your office or do you visit them? What do you discuss and how are you perceived by them?

11. How many hours do you work per day and per week?

12. What time do you generally finish work and what do you do then?

13. Do you have specific ideas for your ideal evening with your loved one's?

14. What do you do at night that will make your day that extra special?

15. What time do you go to bed? Do you do some planning for the next day? Read a book, listen to relaxing music?

16. If your ideal day is in a holiday, question would be, "Where is my ideal holiday destination, what do I do and who travelled with me?

The questions are mere guidelines for you to work with. Once you have honestly answered all your questions and have an idea what your perfect day would look like the question would be, what components of this day can I start executing **right now?** What would this cost me? And how would I start funding this!

Ordinary Millionaire Action

Picture yourself in 5 years, 10 years, even 20 years – what does a day in the life of the future you look like? Consider the following:

What time do you get up in the morning?

Where do you live?

What kind of job do you have?

Who are the important people in your life that are there with you?

What do you do for fun?

Once you know what kind of future you want, write it down!

Notes:

What is your FQ?

"We teach about how to drive in school, but not how to manage finances."

– Andy Williams

We are all aware of **Intelligence Quotient** or IQ, which is a way to measure an individual's intelligence. We have also heard about Emotional Intelligence or EQ as the capacity to identify and effectively handle different emotions. IQ and EQ have been extensively researched, studied and written about, and are said to be an indication of personal and business success.

But isn't it surprising that relatively few people have researched, studied or written about financial success? Why didn't someone teach us how to make money at school?

FQ or Financial Quotient measures your **financial literacy.** It is important because it is a critical factor that defines your success. It defines whether you will be rich or poor.

You may have a high IQ and EQ, but if your FQ is deficient, you will probably end up in a financial mess. You may be great at work, even a genius, but when it comes to handling money, you may be a mere infant.

1 Stop the blame game.

We remember being told to get a **good education** and then everything will be alright! On reflection, we now realise this is not completely true. Sure, a formal education will most probably give us a head start, but most university graduates we know are not financially literate. The problem with universities, or the schooling system in general, is that they focus only on teaching their students how to earn money for a living. Unfortunately, they don't teach students **what to do** with the money they earn – how to multiply it and how to make it work for them now and in their future.

❷ Stop blaming your parents

True wealth begins in the mind. Regrettably, in the first few years that most people earn money, they tend to **practise** what they learned from their parents. They practise the same bad or misinformed money habits that their parents have followed all their lives.

The good news is that you can change and unlearn these bad money habits over time. Yes, you heard right – you can change your financial habits, starting today.

If you have a child, or are planning to have one or two in the future, ensure that you do not pass your **bad money habits** on to your children. Teach them not to live from pay cheque to pay cheque. Teach them that it's possible to have more money at the end of the month, and not less or none – because it is possible.

The legacy you can leave to your children is, first, a proper education so they will know how to earn money; and, second, **financial wisdom** so they will know what to do with the money they earn. Teach them not to love money, but to respect money. A love of money will make them greedy and selfish, thereby destroying their life in the process. Respect for money will make them responsible and able to provide sufficiently for themselves and their future household.

❸ Stop blaming the government

Stop blaming the government for your financial situation. No matter how huge the income tax percentage is, or how expensive education, healthcare, e-tolls and the cost of living is, in the end you are still responsible for your finances. Learn to accept the things you cannot control and work with the things **you can control.**

Take responsibility when it comes to managing your finances, you are 100 percent in control. Ultimately, the only question that you should answer is this: "How well did I manage my finances?"

4 Stop blaming yourself

For lasting change to happen, you must **acknowledge** your mistakes. After the acknowledgement, however, you must get up, dust yourself off and then move forward. You must begin practising good financial choices today, not tomorrow. Yes, you can! It doesn't matter how overwhelmingly messy your financial life is now. It doesn't matter how deep your credit card debt is right now. You can change it. You can get out of it.

It took months and years for your debt to pile up. It might take a little longer to pay off this debt. But take heart. It is doable. It is achievable through conscious, educated and effective money-handling decisions that you will make from this point onward.

How do you feel about money?

The way you feel about money will greatly affect you and the outcomes that follow. Do you feel good about money? Or is it a taboo, something that only greedy, filthy rich people feel good about? Are you like the bumper sticker that says, *"Filthy, Stinking, Rich – two out of three ain't bad?"* Do you hold the belief that *"Money is the root of all evil"*, when in fact the correct statement is *"The love of money is the root of all evil"?* Or do you still believe that *"The lack of money is the root of all evil"?*

As we mentioned previously, many people who have a lot of money still worry and stress over the amount in their bank accounts. You can worry about money when you have R25 in your account or R25 000. Until you let go of the worry about money, you won't really enjoy your money.

Money can have **big power** over people. It can make people spend their lives working at a job they loathe. People might say, "Oh, I don't care about money"; then they work for ten hours a day at a job they hate because their bank account is empty and they need the pay cheque to pay the monthly bills. It is crazy that some people feel that 2 to 5 years of hard work on your financial habits is a long time to change your financial destiny, but they do not feel 40 years at a job with bad financial habits is a long time to stay broke.

If you just sit there fretting that you don't have enough money, the logical part of your brain will be unable to communicate with you to give you ideas and solutions to your problems. The **emotional** part of your brain will run the show until you recognise what is going on and change how you approach the situation.

Next time, if you know you are going to be short of money, try this:

1. Don't talk about it to everyone;
2. Just hold the idea of the amount of money that you need and see it in your mind.
3. Then turn it over to your subconscious.
4. Then wait for inspiration, an idea, or a thought. It might come in the first ten minutes, or the next day, or later that week. Keep the amount in mind, but let it go and don't worry about the money that you do not have. Remember, worrying will not bring more money.

Where do the wealthy make their money?

Employee and the Business Owner

How you want to make your money is another clue to how you think about money. There are a number of different ways in which people can work to make money.

E **Employed**.

We have all been taught to get a job to make money, in other words to trade hours for income. You go to Company A, work two hundred hours and make R25 000 per month, which equates to R125 per hour.

You are an employee and, as such, are very limited in your choices – you are selling **time for money**. You don't get to decide how much money you make or if you get a raise. Rarely do you get to choose the kind of hours you work, or for how long, or even which days. You are trading hours of your life to work for someone else when they tell you to, for how long they tell you to, and doing what they tell you to do. If you don't show up, you don't get paid. Even the highest paid CEOs of companies fall into this category. They are still working for someone else – they just get paid big money to do it.

SE Self Employed

Another way is to start your own business and become self-employed. People who think that they work too hard for a company as an employee usually start their **own business.** Then they find out that they are working even harder than they did when they were working for Company A. If you don't show up to work and produce the service, then you don't get paid, just like an employee. This is also true for people who are doctors, lawyers, dentists and other professionals. Many times you will hear people say that a job owns them. Instead of working for themselves, they are working for the job that they are doing. This is the catch with self-employed people – if they stop, the product or service stops, and then the money stops.

BO Business Owner

Being a business owner is where freedom starts to come in. Now you might ask yourself, "Well, being self-employed is owning your own business, so what's the difference?" And you are right, but as the owner you have other people **working for you;** you are not just working alone like you do when you are self-employed. The difference is being a business owner and not just self-employed. If you take six weeks off for a holiday, you will still be making money in that period and your business will still have profits when you return.

I Investors

There are also people who have their **money work for them.** This includes all different kinds of investors. The two most popular areas related to investing are real estate and the stock market. As an investor, you can most certainly invest in these two areas, but making your money work for you goes beyond just investing in such things.

It might mean you loan a small business some start-up capital and gain interest on the payments that they make back to you. You might put up the money for someone else to invest in a real estate property and make back a percentage plus your investment. What this means is that your money is starting to work for you.

Good or bad

None of these different ways to make money is bad. In each avenue of making money, there are bad ways, but no one method is better or more 'right' than the other. As we have pointed out, there are rich people in any of the different avenues to making money. What you need to decide is how you are going to make yours.

Most people tend to solve their problems themselves, as far as they are able. Being wealthy involves **surrounding yourself with a team** to help you succeed. By taking on challenges that need more than just you to solve, you are surrounding yourself with other people who are going to go after the same thing that you want.

The saying *"You make a living with your hands, but you become wealthy with your mind"* is what we are doing now – we are changing your mind on how people make money and how you are going to become wealthy. We are developing your mindset, teaching you how to make money with your mind and not just with your hands.

Self-employed people see something they can do to fill a niche in the market and they do it. But they limit themselves because only they can do it. The business owner puts together a team and a system, and then enjoys the rewards that follow.

Learn how to lead a team of people. This doesn't mean you should start to boss around anyone you think will stay long enough to listen to you. It means you should, for example, volunteer at a community event where you know you will need to delegate some help, such as a church function. This will put you in a leadership role where you can practise leading a team to a successful outcome.

Habits of Financially Intelligent people

Now that you are over the blame game, let us move to the next question. How do they handle money? How do they become wealthier? And how do they maintain their wealth? Here is how:

"The circulation of confidence is better than the circulation of money."

– James Maddison

1 They hate borrowing money

In scripture, it is mentioned that people who borrow money are **slaves** to the money lenders. Nothing can be more accurate than this statement. Note that there are two types of debt – good debt and bad debt. Good debt is what you make use of in order to prosper in life. Bad debt is not needed. It keeps you from becoming successful.

Below are various examples of each kind of debt.

A housing loan can be good debt. You need to provide a stable home for your family and for yourself in your retirement years; it is also a good way to generate equity for yourself.

Borrowing money for an extravagant wedding is bad debt. If you really love your intended life partner, then avoid starting your life together buried in debt. Enjoy a simple wedding that is within your budget. This is the only type of wedding of which you can genuinely be proud. Be real and true to yourself. **Pride** can cost you a fortune. Your first day together should not be based on a lie. In many cultures the family spends hundreds of thousands of rand on their child's wedding, only for the couple to suffer financial hardship for years to come. This is a pointless cause of enormous stress.

Loaning money for a business is good debt, but there's an important 'if'. Make sure that you have a **solid business plan** and that the anticipated monthly profit will be more than enough to pay off the monthly amount due on the business loan. Take a cue from the millionaires and billionaires of this world. If you're only starting up your business, then start small, not big.

Getting car finance is good debt if the car will serve you as you travel to and from work. Getting car finance is bad debt if your chief motivation is to show it off to your friends and neighbours.

When in doubt as to whether a loan is a good debt or a bad debt, ask yourself the following questions:

1. What is my chief motivation for getting this loan?
2. Am I willing to give money to the bank in the form of interest for this loan?
3. Is it an actual need, or just a want?

Be true and honest with yourself, your spouse and your business partners, and you'll end up making the right decisions when it comes to borrowing money.

2 They use their credit card wisely

Whenever possible, purchase in cash or use a debit card. That's what the ATM machine is for – cash. Just because everybody else is using a credit card, does not mean you have to use one as well. If you already have too much credit card debt, there's no logic in further adding to it.

A few decades ago, the banks decided to **exploit** you and I. The marketing and advertising companies had done their homework well. They managed to transform luxury items into necessities. They touted even the most illogical and mundane items into the 'next big thing'. People could not sleep at night until they possessed those items. Obviously, the banks wanted to cash in and take their share. Hence, the birth of the credit card. And the rest, as they say, is history.

We are not opposed to credit cards per se – we are only against their irresponsible usage. A credit card can be a real-life saver in times of emergencies. However, when used recklessly, they are detrimental to people's financial health.

3 They love using their own cash

Right now, if you have a debit card, a Visa or MasterCard, you can use it for all types of purchases, even online purchases. Usually a debit card comes from the bank where employee receive their salary. More often than not, establishments that accept credit cards will also accept debit cards.

The attractive thing about a debit card is that you already **possess the money** you will use to purchase the goods. So, there's no reason to feel any guilt in using it. But make sure to set aside or withdraw your savings first, and use the balance for your purchases. Do this every month.

Then just say NO:

- Say NO to overspending.
- Say NO to offers that sound too good to be true.
- Say NO to impulse or emotional buying.

Say YES:

- to spending less than what you earn.
- to conscious purchasing decisions.

- to investing.

4 They love living simply

True wealth is not the mansion, fancy cars and jewellery that you own. It is your mindset of creating abundance. True wealth is the desire and ability to multiply what has been given to you. It is not enough that you earn a living. True wealth begins with what you do with the money that you earn. It is a way of life.

Living simply is a mindset – and a lifestyle. Living simply means being grateful for everything that you have and realising that you lack nothing.

As discussed earlier, before you purchase anything, whether it be a car, a house, a property, a watch, clothes, a cell phone, gadgets, etc., first find out your chief motivation for buying that item. Consciously or subconsciously you will always have a reason why you're choosing one item over another. Often we make emotional decisions and then try to fabricate rational justifications. For example, you buy an expensive car that you don't 'need' and claim it is highly economical on fuel and has a large boot that is useful for holidays!

Do you really need the item? Or do you want to show it off in order to belong and feel accepted? Only you can decide.

One essential guideline that you can, and should, follow is to spend less than what you earn.

"Both poverty and riches are offspring of thought."

– Napoleon Hill

Ordinary Millionaire Action

How do you stack up against the habits of financially intelligent people:

	Poor		Average		Great
Borrowing money	1	2	3	4	5
Using credit cards	1	2	3	4	5
Using your own cash	1	2	3	4	5
Living simply	1	2	3	4	5

Notes: ____

Part 2
Being Healthy

Be Physically Well

"I don't want to make money, I just want to be wonderful."
– Marilyn Monroe

Are you content with your physical wellness?

Regrettably most of us probably read this heading and say "NO!" (albeit quietly, so that no one else knows.) This points more to our self-confidence and the notion of our ideal physical self that has been generated by society, rather than to our actual **physical wellness.**

There is no need to be on the covers of fashion magazines to be healthy, but you do need to be able to fall asleep at night knowing that you are mentally and physically fit and healthy, or at least confident in the knowledge that you're striving to get there.

We have added this part to the book because we have seen so many of our clients climb the financial ladder, only to neglect their physical well being. When it is too late, they try to **buy back** their health. Impossible!

Considering the advances in technology, we have a greater chance than ever before of outliving the ages that our grandparents reached. The question is: "What will your quality of life be?" We would be remiss not to add our view on physical wellness.

Do you want to add years to your life or life to your years?

Feeling your best boosts your zeal for life! Are you a **goal setter?** Statistics show that less than three percent of people actually set goals and take the trouble to write them down. In general, these people tend to be the ones who succeed in the world.

So here is the challenge, starting with a quick question: "Do you know where you want to be in your life – five, ten and twenty years from now?"

You see, most people who are asked this question have no idea!

They have never been challenged to answer this, or to do anything about it. This certainly indicates a problem – we only have one life to live, so let's make it a good and worthwhile one.

What is your life plan?

It's strange that relatively few people have a **plan for their lives.** Most are passive spectators, watching their lives unfold, one day at a time. They are reactive rather than proactive. They may plan their careers, the building of a new home or even a holiday, but it never occurs to them to plan their life. In fact, most people spend more time planning a week-long holiday than they spend planning their life.

This may be why so many people end up **discouraged** and disillusioned, wondering what went wrong when they arrive at the wrong destination. The good news is that it doesn't have to be this way. You can live your life purposefully by creating your own personal life plan.

Why do you need a life plan?

The primary reasons why it is an excellent idea to create a life plan is that it will help you to:

1. Provide direction, meaning and purpose to your life
2. Make decisions that positively affect your future
3. Focus your energies on what's most important
4. Achieve the greatest results in the shortest period of time
5. Significantly increase your level of performance
6. Enjoy more time, money, balance and freedom.

Creating a life plan is a disciplined thought process. It produces fundamental decisions and actions that shape and guide who you are, where you are going, what you do, and how, when and why you do it. All of this is done with a focus on the future.

So, my questions to you are:

1. Do you have a plan to improve your physical well-being?
2. How balanced is your life?
3. How much time do you spend on physical activity?

Improve your health by being active, as part of following a **healthy lifestyle.**

Is your physical activity (or lack thereof) a good or bad habit in your life? Did you know that your social, health and physical habits play a positive role in your life journey? Your sleep habits dictate how well you rest. Your working habits link to your success. The way you accomplish things, and the things you do daily, are all related to your habits – such as the first thing you do the moment you wake up or which hand holds your toothbrush and how you brush your teeth. These are all habits that you have developed and mastered as your own!

We recognise that **bad habits** have damaging effects, cause poor relationships and negatively affect your life. What if you could add favourable habits to your life? This means habits that produce favourable (satisfactory, advantageous) benefits, attitudes and actions that you would like to gain and make a part of your life.

Health is **recession-proof.** Regardless how rich or poor you are, your health will forever be the most crucial part of your life. You don't have to be affluent to be healthy. You simply need to consider clearly, and be aware of, what you eat and the physical activities you do, and to make sound choices.

The advantage of exercise is undeniable. It increases circulation, flexibility and stamina. Exercise helps to determine mood, weight and sleep and is a central component to living a **zestful life.** Some individuals are fortunate to have a natural joy for exercise. For everyone else, exercise is a joy worth cultivating.

Alter your thinking. If you regard exercise as a plague or a privilege, then you won't make it important in your life. Value exercise as a part of your normal **self-care** routine and you'll learn to enjoy it.

Discover personal significance. See exercise as moving meditation. Integrate it into your spiritual practice. Utilise it to clear your mind. Make exercise a part of whatever you're passionate about in life and increasingly you'll love it more until it becomes an integral part of your life.

The benefits of physical activity

Here are some reasons why physical activity undoubtedly improves both mental and physical health.

A It boosts mental wellness

Regular physical activity can **relieve tension,** anxiety, depression and anger. You may notice a 'feel good sensation' immediately following your physical activity. In addition, over time, most people note an improvement in general well-being as physical activity becomes a part of their routine.

B It improves physical wellness

Too many sedentary activities – too much sitting – can increase your **risk of cardiovascular** disease. One study showed that adults who watch more than four hours of television a day had a forty-six percent increased risk of death in general and an eighty percent increased risk of death from cardiovascular disease. Becoming more active can help to lower your blood pressure and also boost your levels of good cholesterol.

C It prolongs your optimal health

Without regular physical activity, the body slowly loses its strength, stamina and ability to function well. People who are physically active and at a healthy weight live about **seven years longer** than people who are inactive and obese.

1. Live longer! Live healthier! Physical activity is an important part of a healthy lifestyle. Regular physical activity can help to reduce the risk of premature death and chronic diseases, such as coronary heart disease, stroke, hypertension, colon cancer, breast cancer, type-2 diabetes and osteoporosis.

2. Every step counts! If you're not active now, adding any amount of physical activity can bring some health benefits. Take a step in the right direction. Start now and slowly increase your physical activity to meet the recommended levels.

3. Feel better! Regular physical activity can improve your overall sense of well-being by improving fitness levels and self-esteem, reducing the effects of stress, increasing energy and contributing to positive mental health.

So go on, move yourself!

Wake up an hour earlier if you have to, take the stairs, and eat that salad. If your aim is to become the **healthiest version** of yourself that you've ever been, start now. You'll thank yourself when you reach those goals!

The definition of wellness is varied, and gaining wellness is a complex process. An individual becomes aware of, and aims to make sound choices in, the quest to gain physical, mental, emotional, social and spiritual wholeness. This process includes:

1. An understanding of your body's true identity, depth of feelings, stress patterns, reactions, balance and harmony

2. Honouring your body's own unique diversity
3. Engaging in behaviour that moves you towards a higher level of wellness
4. Improved cardiovascular flexibility and strength capacity
5. Building knowledge about functional nutrition.

Wellness is an **interactive process** in which you become more aware of your own needs and make well-considered choices to lead a more successful and balanced lifestyle. Physical health cannot be acquired overnight – it's cultivated over time until it becomes a way of life. It is important to value and appreciate the relationship between good nutrition and the performance of your body. Physical health is a **choice**... your own!

People have the ability – and owe it to themselves – to take the necessary steps to better their physical wellness.

Our bodies

Physical health involves a core understanding that eating well, physical exertion and healthy lifestyle choices are **essential to your well-being.** Healthy lifestyle choices today will determine how you feel tomorrow, how long you live, and – more significantly – the quality of your life.

What do you consider to be your most treasured possession? Your house? Your car? Your antique collection? What about your body? It should be your most treasured possession since, without it, you would not be here.

How well do you treat your body? Do you work out daily, eat healthy foods, consume adequate amounts of water, and get enough rest? Don't fret – there's no point in delivering a dramatic soapbox speech because most of us are equally guilty in not providing our bodies with the care they deserve.

We live in a fast-paced era of elevated tension and abundant fast foods. For those of us who simply need to walk a few steps from our desk to the kitchen, the enticement to snack is ongoing. Who has time to work out and prepare balanced meals?

All the same, it's crucial to understand that disregarding our physical welfare may **deeply affect** us mentally and spiritually. The mind/body/spirit/emotions connection is strong. If we disregard one area, the others will suffer too. The goal is to achieve a calm and even balance between all four areas. This is not as difficult as it seems – once you resolve to start. It simply takes a bit of effort.

The **greatest error** many people make is believing that taking good care of your body will absorb a monumental amount of time. "I'm too busy to work out. I don't have time to cook proper meals – I'll just pick up something fast. I've too much to do, so I can't enjoy a full night's rest."

Dodging your physical welfare makes you **less productive** and effective in other areas. You will find you have little vitality, a lack of focus and generally feel rotten day in and day out.

Exercising doesn't have to take much time. In fact, by placing more emphasis on your physical health, you are likely to acquire time because your focus and vitality levels will increase, and you'll get a lot more done during the day. Likewise, you will rest better at night, an additional bonus!

You may be wondering just how much time and effort is required? Here are some simple, but life-changing recommendations:

Work out

Most people will **find a reason** not to work out, unless they exercise first thing in the morning. Once you sit down at your desk, you can find yourself glued to it all day. Other obstructions will intrude on your intention to work out and you will continue to put it off. If you tend to stall about exercise, make it your first priority when you wake up. Even put out your kit the night before, so you don't need to think in the morning.

Start slowly, and build up to spend between thirty minutes and an hour on aerobic exercise. You may need to force yourself initially, but once you're in the habit, you will start to feel stronger and even look forward to your early morning workout. Another upside is that you then have the rest of the day to accomplish whatever else requires doing.

Nutrients

Many people are 'fast-food addicts', not necessarily because they love that sort of food, but simply because it seems to be handier. But raw or roasted veggies and fruit can also be 'fast foods'!

A plethora of superb recipes are available in books and online to create delicious simple food, so there are **no excuses.** Aim to eliminate sugar and switch to whole grains rather than white, highly refined foods. Avoid the chemicals placed in processed foods and snack on nuts, seeds, fruit and vegetables rather than foods rich in colourants and artificial flavouring. Your body and mind will thrive.

H2O

Make a concentrated effort to **drink more** glasses of water throughout the day. You will instantly start to feel better. The most usual symptoms of dehydration are weariness, sluggishness, muscle weakness, headaches, light-headedness and forgetfulness. This certainly describes many of us, and it's no wonder since we tend to consume copious amounts of coffee and sugary carbonated drinks.

An increase in water intake makes a significant difference to energy levels and mental focus. (It also improves your skin and your digestion!) Aim to consume six to eight glasses of water per day to enjoy substantial improvement.

Sleep

Some rare individuals cope well on less sleep, but most individuals require seven to eight hours of good sleep per night or they become crabby and forgetful. Many of us get less than our bodies really need.

You might believe that reducing your sleep will enable you to get more done, but consider this: **without adequate rest,** you'll drag yourself through the day and have to focus harder on your work because your mind really needs to rest. If you commit to a full eight hours (or however much you personally require) of sleep, you'll find yourself to be a lot more industrious and focused during the day. It's also likely that you will achieve a great deal more.

It really is a matter of substituting old habits with new healthier objectives. Exercise and sufficient sleep make a marked difference to your energy levels. Make time for them. It is essential to cherish and nurture your body – it's the only one you'll ever have!

How to develop a wellness programme in your life

It's important for all of us to **take responsibility** for our health and overall wellness in life. If you want to improve how you feel, how you look, or any other component in your life, then develop a personal wellness programme. It will enable you to fully understand what it means to have 'life balance' and give you a path to achieve it.

There are various core areas in your life that you should review when you develop your own **wellness programme.** All of them are important, yet some are often ignored because of busy schedules. The core areas include the following:

1. Diet
2. Exercise
3. Thoughts
4. Leisure time
5. Feelings.

In order to create a programme that ensures your wellness, it's vital to include all these areas in your plan. Ultimately they all contribute to our physical and psychological wellness.

Elements of a wellness plan

A programme that focuses on 'wellness' should always start with a diet that includes **healthy foods.** These are nutritionally sound foods that are cultivated organically to reduce the amount of toxins that enter your body. Focus on consuming fresh plant foods – a variety of fruit and vegetables, rather than pre-packaged foods found in supermarkets. Eating nuts in moderation and drinking lots of water are especially important.

As discussed previously, **exercise** is another important element of success in the development of a wellness programme. Not only does exercise help you to lose weight (or at least maintain your weight), it also increases the amount of available oxygen in your body. Cells, muscles, bones and other body components are heavily dependent on oxygen and the body's ability to circulate the blood properly. A healthy, oxygenated body has more energy, which will make you more productive and generally happier.

To exercise does not mean you have to spend a large sum of money on a gym membership. You can **walk or run** around your neighbourhood, take the stairs instead of the elevator, or walk quickly through your local mall to reap the benefits.

You could also invest in a workout DVD to use in the privacy of your own home and make a commitment to use it four times a week.

The next part of a wellness programme is to ensure that your **thoughts and feelings** are positive and complement your life. A support group or someone to talk to about issues that concern you can be highly productive.

In addition, learning how to **manage stress** can be extremely beneficial to your wellness mission. If certain people or places cause you to experience stress, depression or other negative feelings, then aim to distance yourself from them or find a productive way of coping with them. For example, talking to a friend, family member, priest or counsellor can provide great comfort. These people can offer you objective advice and other ideas on how to deal with the stressors in your life.

Remember, in order to be 'well' you must **focus** on both the physical and psychological aspects of your being. By following these techniques to develop your own wellness programme, you will enhance your life well into the future.

"Very few people can afford to be poor."
– George Bernard Shaw

Ordinary Millionaire Action

1 How healthy are you?

Poor		Average		Great
1	2	3	4	5

2 When last have you done a physical evaluation?

Never		More than two years ago		Recently
1	2	3	4	5

3 Do you have a wellness plan?

No		Maybe		Yes
1	2	3	4	5

Notes:

R1500

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Part 3
Being Wealthy

The Seven Secrets of Creating Wealth

A truly excellent book on wealth was written by George Samuel Clason in 1926. Entitled The Richest Man in Babylon, it reflects a time period in the biblical era some two thousand years ago. The book details a parable about the 'richest' man in Babylon, Arkad. Famed for his great wealth, he was also renowned for his generosity to his family, friends and charities that he supported. In the book he shares his success stories with the less fortunate.

Arkad explains: *"In my youth I looked about me and saw all the good things there were to bring happiness and contentment. And I realised that wealth increased the potency of all these. Wealth is a power. With wealth, many things are possible. One may ornament the home with the richest of furnishings. One may sail the distant seas. One may feast on the delicacies of faraway lands. One may buy the ornaments of the gold worker and the stone polisher. When I realised this, I decided that I would claim my share of the good things of life. Being, as you know, the son of a humble merchant, and not being endowed with superior powers or wisdom, I decided that if I was to achieve what I desired, time and study would be required."*

Arkad set off as a young man and, despite working hard, had no real luck in becoming rich. One day he met a very wealthy money lender by the name of Algamish. In return for doing some free transcriptions, Algamish started teaching Arkad the road to wealth. Algamish shared seven secrets of wealth with Arkad, which are written up in the archives. Here they are for you to learn too.

Secret One: Start thy purse to fattening - Pay Yourself First

"I found the road to wealth when I decided that a part of all I earned was mine to keep."

You may well answer in the same way that Arkad did many years ago: '*"But all I earn is mine to keep, is it not?" "Far from it,"* *Algamish said. "Do you not pay the garment-maker? Do you not pay the sandal-maker? Do you not pay for the things you eat? Can you live in Babylon without spending? What have you to show for your earnings of the past month? What for the past year? Fool! You pay to everyone but yourself. You labour for others. As well be a slave and work for what your master gives you to eat and wear."'*

Does this ring true for you? Are you working for other people, or are you first claiming your rightful portion to use as seeds to grow your wealth? [12]

Algamish continues: *'"Wealth, like a tree, grows from a tiny seed. The first copper you save is the seed from which your tree of wealth shall grow. The sooner you plant that seed the sooner shall the tree grow. And the more faithfully you nourish and water that tree with consistent savings, the sooner may you bask in contentment beneath its shade."'*

The first secret to wealth is simple. Start by using the source of wealth that you already possess, that is, make one simple change to what you already do. If you put R10 in your 'purse', only take out R9 for consumption.

Secret Two: Control thy expenditure - The Workings of a Good GPS

Arkad's students challenged him: *"How can a man keep one-tenth of all he earns in his purse when all the coins he earns are not enough for his necessary expenses?"* Arkad's response was simple. *"Yesterday how many of thee carried lean purses?" "All of us,"* answered his students. *"Yet, thou do not all earn the same. Some earn much more than others. Some have much larger families to support. Yet, all purses were equally lean."*

Arkad then shared the following truth with his students. *"That what each of us calls 'necessary expenses' will always grow to equal our incomes unless we protest to the contrary. Confuse not the necessary expenses with thy desires. We all have more desires than what our earnings can gratify."*

Studying our spending habits will quickly show us expenses

that are pure desires. These could be eliminated to ensure that we stay within the ten percent that we keep.
Arkad's advice was simple. *"Budget then thy necessary expenses. Touch not the one-tenth that is fattening thy purse. Let this be thy great desire that is being fulfilled. Keep working with thy budget, keep adjusting it to help thee."*

Secret Three: Make thy gold multiply - Make More Money

"I tell you, my students, a man's wealth is not in the coins he carries in his purse; it is the income he buildeth, the golden stream that continually floweth into his purse and keepeth it always bulging. That is what every man desireth. That is what thou, each one of thee desireth; an income that continueth to come whether thou work or travel. Gold increases rapidly when making reasonable earnings."

Arkad's third lesson was the impact of compound interest. If you start investing your surplus income, you will soon experience the multiple impact of compounding. [13]

Make each coin labour to reproduce its kind, even as the flocks of the field, then shall a stream of wealth flow constantly into thy purse.

Secret Four: Guard thy treasures from loss - Protect Your Money

"Misfortune loves a shining mark. Gold in a man's purse must be guarded with firmness, else it be lost. Thus, it is wise that we must first secure small amounts and learn to protect them before the gods entrust us with larger." So spoke Arkad about the fourth secret.

"Every owner of gold is tempted by opportunities whereby it would seem that he could make large sums by its investment in most plausible projects. Often friends and relatives are eagerly entering such investments and urge them to follow. The first sound principle of investment is security for thy principal. Is it wise to be intrigued by larger earnings when thy principal may be lost? I say not. The penalty of risk is probable loss. Study carefully before parting with thy treasure. Be not misled by thine own

romantic desires to make wealth rapidly."
Guard thy treasure from loss by investing only where thy principal is safe, where it may be reclaimed if desirable, and where thou will not fail to collect a fair rental. Consult with wise men. Secure the advice of those experienced in the profitable handling of gold. Let their wisdom protect thy treasure from unsafe investments.

Secret Five: Make of thy dwelling a profitable investment - Transforming Debt into Wealth

"If a man setteth aside nine parts of his earnings upon which to live and enjoy life, and if any part of this he can turn into a profitable investment without the detriment to his wellbeing, then so much faster will his treasures grow." This was Arkad's fifth lesson to his class – the fifth secret of wealth.

"There come many a blessing to the man who owneth his own house. And greatly will it reduce his cost of living, making available more of his earnings for pleasures and the gratification of his desires."

Secret Six: Ensure thee a future income - Leveraging Your Money

"The life of every man proceedeth from his childhood to his old age. This is the path of life and no man may deviate from it unless the gods call him prematurely to the world beyond. Therefore, do I say that it behooves a man to make preparation for a suitable income in the days to come, when he is no longer young, and to make preparations for his family should he be no longer with them to comfort and support them. This secret shall instruct thee in providing a full purse when time has made thee less able to earn."

This was the sixth lesson Arkad shared with his students.

"The man who, because of his understanding of the laws of wealth, acquireth a growing surplus, should give thought to those future days. He should plan certain investments or provisions that may endure safely

for many years, yet will be available when the time arrives which he has so wisely anticipated."

Secret Seven: Increase thy ability to earn - Learn More to Earn More

"This day do I speak to thee, my students, of one of the most vital remedies for a lean purse. Yet, I will talk not of gold but of yourselves, of the men beneath the robes of many colors who do sit before me. I will talk to you of those things within the minds and lives of men which do work for or against their success." So did Arkad address his class on the seventh secret of wealth.

"Not long ago came to me a young man seeking to borrow. When I questioned him the cause of his necessity, he complained that his earnings were insufficient to pay his expenses. Thereupon I explained to him, this being the case, he was a poor customer for the money lender, as he possessed no surplus earning capacity to repay the loan. What you need, young man, is to earn more coins."

To earn more we simply need to learn more - the seventh secret to wealth.

To cultivate thy own powers, to study and become wiser, to become more skilful, to so act as to respect thyself.

We now cover the seven secrets of modern-day wealth creation using the wise principles that Arkad shared with his students thousands of years ago. [15]

Notes:

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Secret 1: Start thy Purse to Fattening - Pay Yourself First

At last! It's the end of the month. Your salary is in the bank. What do you do first?

When our financial literacy was still in its infancy, we **first paid** off all our accounts, then set aside our budget – our living expenses, for the next month. Whatever was left, we set aside as savings.

Sounds logical, right? But this is precisely the reason why people who follow this simple process fail to gain prosperity and financial independence. This is the wrong way.

The **correct way** is to pay yourself first – Arkad's first secret of "fattening thy purse"! In retrospect, paying yourself first is actually a misnomer. Even before you receive your salary, the receiver of revenue collects his income tax and your medical aid premium and group benefits (if you have any) are deducted. So all you receive is your net income. In reality, therefore, you cannot pay yourself first – but you can pay yourself second.

After all the requisite compulsory deductions, the sensible thing to do is to **set aside a minimum** of ten to fifteen percent of your net income for your savings. If you are heavily in debt, then set aside another twenty percent to pay off your debt. The remaining sixty-five to seventy percent of your income is what you use for your living expenses. Once you're finished paying off your debt, you should increase your savings to thirty percent per month.

David Bach, multiple number 1 New York Times bestselling author, wrote a book entitled The Automatic Millionaire. Its basic premise was that if you **pay yourself first** and start investing soundly, you have a virtual guarantee of becoming an automatic millionaire.

Making money versus keeping money

Of course, earning income and investing to make savings can cross over. For example, if you invest (spend) money on equipment to grow your own vegetables and fruit, then you can save later on your grocery bills. However, you should also add in your time, unless this counts as an exercise session or relaxation!

"Wealth consists not in having great possessions, but in having few wants."

– Epictetus

Security versus freedom: How to attain both

People want both job **security and financial** freedom. But what do these things mean? Job security is knowing you have a secure job to go to every morning. You have employment that you know you will have tomorrow, next week, next month and for years to come. Financial freedom is **being able** to do what you want with your money and having an abundance of excess money. Most people with an impoverished consciousness trade their freedom for security. People who have a wealth mindset and prosperity consciousness have both freedom and security. They obtain security without giving up freedom. You can have security without having freedom, but freedom gives you security.

Most of the jobs that people work in are **'at will'.** This means that the management can fire you for really no reason at all, or you can quit whenever you like. You work at this job of your own accord but, whenever management would like to let you go, they can and do. There are numerous stories of people who believed their job was secure because they had been at their place of employment for so long; then, one day, they come home without a job.

People who look for these kinds of jobs are looking for security. They want to know they have a job to go to, whatever it might be.
Financial freedom is having the ability and choice not to have to

go to work, but still to have money come in and cover all of your expenses. People who tend to seek this path are the ones who make their own money. We are not talking about illegal counterfeiting! They are the ones who seem to create money out of thin air and keep on doing it. An example is Richard Branson, one of the self-made billionaire entrepreneurs who can **make opportunities from nothing.** We can certainly learn from him and try to replicate some of his behaviour in our own lives.

Sometimes all we need is just the challenge of starting to think about the following: "How can I generate extra income right now and then buy an asset with that income to produce even more income?" A rich person's definition of an asset is something that puts money into your pocket. If you are still paying something off (i.e. your house), it is not an asset, in this sense, until you can either earn an income/capital from it or save money because of it.

It is like the story and book Acres of Diamonds by Russell H. Conwell. The moral of the story is that **you have everything** you need to be successful in your 'metaphorical' or perhaps even your physical backyard. You already have the skills you need to make yourself successful.

Financial freedom doesn't wait until month-end for a salary. It is being able to say, "I need R1 000; let me go and do what I do to gain R1 000 now." If you **trade freedom for security,** then you really have **nothing** because job security simply does not exist. If you trade security for freedom, you have both because you will always be secure knowing that you can create the income that you need when you need it.

Having freedom and going after it can be scary for many people. It might not always be easy and thrilling, but there are going to be times when you are happy and joyful – those times are what life is about. Aiming for your freedom is about going through the tough times, knowing you are going to succeed, breaking the barrier to obtain the freedom you are pursuing.

Security is letting someone else pay you; freedom is paying yourself.

"After a certain point, money is meaningless. It ceases to be the goal. The game is what counts."

– Aristotle Onassis

Cash flow versus capital gains: What's the difference?

The difference between cash flow and capital gains is one of the **main concepts** the wealthy know about in detail. Cash flow keeps the flow of money in your pocket while capital gains hopes that the value will go up. The wealthy invest for both, but they focus first on cash flow. Say you buy a business. As the owner, you make R100 000 a month but you don't have to be there all the time. Another example is receiving monthly rental from a property you buy. In both instances, you are investing for cash flow.

People who invest for capital gains are investing with a **high** amount of **risk** because they are taking a chance, hoping the market will go up so they can sell and make money. Many people invest in the stock market for capital gains, even though they think it is risky. For example, they buy Stock A for R10 a share. They hope that in the next year Stock A will go up to R25 a share. However, they are not getting money every month and there is no flow of cash to them.

Capital gains are not bad, but **cash flow** is what the wealthy focus on. For instance, say we purchase a business for R300 000 and make R10 000 a month from it. Three years later we sell the business for R600 000, or even R800 000 – then we have just made more money. In other words, we invest for capital gains over the long term, and cash flow over the short term.

Look for cash flow first, capital gains second

Novice investors make the mistake of investing in real estate for the cash flow first, when they are still trying to pay their accounts. In this situation, they should think about investing for capital gains to acquire the lump sums of cash necessary to enable them to pay off their bills and then have money available to invest in additional properties. Once that is taken care of, then they can invest for long-term cash flow investments.

If people invest too early for cash flow, then they squeeze themselves out of investing because they need more money now than the amount coming in, even if it is a positive cash flow from investment property.

"Do not wait; the time will never be 'just right'. Start where you stand, and work whatever tools you may have at your command and better tools will be found as you go along."

– Napoleon Hill

Savings

When you had bank savings in the past, you used to be paid the interest stated in the terms and conditions. It may not have been much, but it was there without any 'funny business'. Now, loyalty does not pay. Most savings accounts attract interest far lower than the going inflation rate so, while your capital is safe in most instances, your money will **not keep track** of inflation and will lose value over time.

You have to be careful. Banks make a fortune from people's inertia – not moving, or delaying moving their accounts; not wanting the hassle. Internationally the banking crisis of the early 21st century destroyed the trust of many people in one brief moment. How could the banks have been getting away with fraud on such a massive scale for so long?

Now, there is far **less security** than existed previously. Internationally, governments bailed out the big banks – always judged too big to fail. This cost the consumer billions. South African banks, to a large degree, were protected from the huge backlash because they had virtually no exposure to the so-called toxic assets, which were loans awarded to NINJAs (people with No Income and No Jobs).

Where do the wealthy spend their money?

Definition of an asset: Something that puts money in your pocket.

Definition of a liability: Something that takes money out of your pocket.

When Robert Kiyosaki published Rich Dad Poor Dad, some 20 years ago, one of the lessons he shared from his rich dad was that a house could not be counted as an asset! This raised the ire of many financial planners. His view was a simple one – if you did not generate an income from your house, you could not see it as an investment. However, an investment house that generated an income would count as an asset.

Many financial experts can see an individual's state moneywise, based on their financial statements. How people **spend their money** says a lot about each individual. And this book considers how people think about money.

Let's talk about people in the **poor bracket** first. The poor spend their money as soon as they get it. They don't own much and usually rent their house or flat. They spend their earned income on their expenses – food, transport, cellphone, etc. Usually, if they start to earn a bigger income, their expenses increase as well. They tend to go on a shopping spree and buy all sorts of inessential things, hence the saying: "Poor people have big TVs, and rich people have big libraries." Any increase or bonus is shelled out on 'toys', such as a better TV or the latest home entertainment system. This is how poor people tend to spend their money.

The **middle class** spend their money a little differently, usually on liabilities. As the income from their job comes in, they pay their liabilities as expenses – a home loan, a car repayment, a boat payment, and credit card payments. When their income goes up, they buy the latest car and a bigger house. Then they have bigger payments that they must work to pay off. This is bad debt which they have to reduce and pay off on their own, often over a long period.

The wealthy, however, use good debt. They have assets that are their income. A wealthy person might start off with a job but, instead of buying all the fun-to-have things with their hard-earned money, they buy things that produce money. Staying with the real estate example, a property rental is something that puts money in their pocket. This passive income allows them to buy a new car and a bigger house because they do not have to go out to work to pay for them.

People like to have **beautiful things**. The only difference between the wealthy and everyone else is that the wealthy don't have to work to pay for them. If they want a Porsche, they're not going to go out and work at a job to save up the money. What they will do is find an asset – some sort of passive income – that will cover the payment price of the vehicle. Only when they make more money, gaining more passive income, do they buy the 'toys' and luxuries that they want. Not the other way around.

Many South Africans have become all about **instant gratification.** Wealthy people know how to delay gratification. They would much rather go a year without the powerful new car than have to pay for it by working a job, or some other means. They know that first they must buy an asset (passive income) and then they will be able to buy the car they want.

Notice that we have said nothing about how much money these people are making. How much money you make has nothing to do with how you spend and see your money. There are people who make two million rand a year and who spend two million rand a year. That is a poor **person's spending.**

The amount of money you make doesn't make you poor, middle class, or wealthy. It's where you get your income from that matters and how you spend your money. This is probably the biggest part of having a 'wealth mindset'. It's not how much money you earn that makes you wealthy; it's how **much money you keep.** Henry David Thoreau confirms this: *"Almost any man knows how to earn money, but not one in a million knows how to spend it."*

Let's say you sell your Portchie painting for R45 000. The money can help you with various things, or buy you a couple of things. For example, let's say that you went and spent it all on items. You bought a brand-new TV, a computer and a mountain bike. This stuff does not eat, so it takes no more out of your pocket. You have all this now and the money is gone and you go back to work on Monday morning. This is a poor person's spending habit.

A wealthy person would go and **invest it in a system.** They might buy a piece of real estate. The wealthy would use that extra R45 000 as a ten percent deposit on a R450 000 bachelor flat that could generate a rental income of R3 750. Once they earn a net income after expenses, they could then buy all the appealing stuff. They can purchase the new TV, computer and bike, but this money would be from their asset that is putting money into their pocket every month. So, they have money producing money of their own, plus all of the stuff they wanted, instead of just all the stuff they wanted.

This representation could help with your accounts too. Let's say you are behind on some accounts and you come into some money. You can pay off those accounts more quickly, and rightly so, or you could invest in something that would pay them off for you so that you free up some of the money you are working for to invest in other things.

Richard Paul Evens teaches about poor people and interest schemes in his book, *The 5 Lessons a Millionaire Taught Me.*

He states: As I was listing the weekly price of a VCR for a television commercial, something didn't look right. I called the store manager.

'This price couldn't be right,' I said. *'It say $19.99 a week for this VCR.'*

'No, that's right.'

'Twenty dollars a week? For how long?'

'A year.'

'You're kidding me. That adds up to more than a thousand dollars

for this VCR. It couldn't have cost more than 100 dollars.'

'Actually, we got it for only sixty.'

'What kind of fool would pay more than a thousand dollars for a sixty-dollar VCR?' I asked.

'People who want it now.'

In our practice, we see people almost daily who do exactly the same. In the long run you **pay triple** (or more) the amount you could have bought the item for. People accept this because it feeds into their need for instant gratification. *"It's new, it's hip; I have to buy it while the Jones's have it as well,"* they think.

They are paying way too much for an item that they just must have. But the rich make sure their money works for them, rather than they work for their money. [16]

"The safe way to double your money is to fold it over once and put it in your pocket."

– Kin Hubbard

Multiple streams of income

We all have heard the saying that the rich have **multiple streams** of income. This is absolutely true. Different sources of income come in from different places. In that way, if one source dries up, all is not lost. Let's take the employee, for instance. One of their struggles (and fears) is if they lose their job, they lose their only source of income. However, if they had two rental properties bringing in income each month, there would still be an income source, even though the person is now unemployed.

Of course we're not saying that the job loss would be easy, or that there wouldn't be a lot less money, but rental **property income** would at least ease the loss of employment rather than if there had been only one source of income.

There are different ways to think about this. There is the impoverished consciousness version of multiple streams of income.

These are the people who are trying really hard to make it, but they say, "Well, I will just have to try harder and look for another job". They have the right concept, just the wrong content.

It is critical, and we cannot stress this enough, that you build a wealth mindset. It is this mindset that is going to be your foundation to build the life you want, a life that will be able to withstand any storm when it comes.

Taking action: government and crooks alike can steal

Once you've made money, it is **your responsibility** to protect it. Part of becoming a wealthy person is that you should not trust anyone to look after your money or assets. You should not trust anyone to invest it in ways that you do not understand. In addition, you should not abdicate responsibility for keeping watch over it.

However, it is also important not to spend so long **worrying** over what you already have that you do not find the time or inclination to work on bringing more wealth into your life. We must repeat here that it is vital not to pass your responsibility for your finances to anyone – not your partner, your spouse, your best friend or a trusted family member.

Many people cannot be trusted, and it often seems today that people have **elastic ideas of honesty.** Of course, this is a wild generalisation – there are honest and trustworthy people around, but how do you know for sure? It's best to do the work yourself. Also, if you lose money, then you won't have any resentment towards anyone for losing it for you; also, it won't cause deep hurt and division within your family as it would if a family member were involved.

Many high-ranking politicians in government have been forced to pay back money that they have taken – taxpayers' money, which never belonged to them. There have only been a few – very few – prosecutions to reassure us all how seriously the government takes these matters. Most get off, free from all criminal charges, just by paying it back – and sometimes not even that. These fraudsters have stayed in government, or come back in quietly after a short interval. They then continue to decide how much of our money they can acquire and spend in whichever way they think best.

For this reason, it is your duty to yourself **not to pay any more** than you must. Don't misunderstand us – it is non-negotiable that you pay all the taxes on your income required of you by law. Tax evasion is illegal. However, if possible, set up a tax-free savings account that pays a reasonable amount of interest – and use it. If you can save capital gains taxes by protecting your investments in an authorised way, then do so. The money is then saved to spend as you please.

Thieves aim to steal your wealth, whether through taxation (which can't be avoided) or persuasion that their investment is the best path.

Read, study, learn – then make up your own mind

Your wealth is most important to you. No-one else has any right to it. Protecting your wealth can be as simple as not leaving your handbag where you can't see it, to making sure that you are not paying too much for items and services. It can also be learning all you can about any investment that is presented to you, and asking yourself where the faults and drawbacks lie.

A farmer was once visited by a young man who wanted to sell him a share-tracking system for his computer that would tell him when to buy shares and when to sell. "You can just follow the system and will never have to work again," the young man said. The wise older farmer then queried, "Well, why are you trying to sell the bloody thing to me and not using it yourself?"

The heading of this section advises you to **read, study and learn** about whatever you intend to do with your wealth. If you intend to invest some money in gaining a new qualification, find out how it will help you to earn more. For example, you might want to become a lawyer. Find out how much it will cost to pay for your studies in order to qualify, and how much lawyers earn once all the expenses of setting up are accounted for. How much does it cost to dress appropriately, arrange the essential insurances, rent a luxury office, etc.?

Say you're a painter and decorator. You observe that marbled paint effects have become popular and that people accept being charged a tidy sum per hour for them. It's time to do research. If a three-day training course costs a certain amount and the quality of the teaching is good (speak to someone who has done the training and is using it in the marketplace), then decide if it is worth it and go for it – or not.

Perhaps you notice the need for a new product. Find out how much it will cost to research the making of a prototype. Perhaps you could use savings, or family and friends might be prepared to fund your research and development.

If you want to study drama because you could become a teacher, avoid investing your savings on this intention. If you want to be a teacher, then it's not an investment. Study drama, for sure. For fun, towards your lifelong learning – but use your other savings, not your hard-earned money, and set-aside some money that can work towards making you a millionaire.

You may decide to look at real estate as part of **your wealth strategy.** This can be a great idea. You can profit in many multiples of tens of thousands per deal, by buying low, refurbishing and selling property. You can also lose out – but it's one way of learning. Again, do your research. Estate agents will often tell you anything to make the sale, even though they know the area next door is earmarked for a low-cost housing development that will drive market prices down within six months! Is the housing market in a bubble? Are mortgages harder to get hold of? Would you be better off investing in a property unit trust (PUT)? Maybe consider buying to build up a rental portfolio rather than just selling the properties.

Do **continuous research** to make your investment as secure as possible. You must always understand the risks involved and be aware that totally risk-free investments are not enough to make you really wealthy in less than a lifetime. In addition, inflation is a big a risk to your money.

The more any investment will cost, the more research you need to do.

Old advice may no longer work

If you are studying various investment types, it is important to remember that books and websites must be **up to date.** Modern investing is changing swiftly, and reading a book that is ten years old might teach you the wrong things in the context of today's markets. The global nature of these markets, the speed of the Internet, and the ability of the ignorant to post information online without checking its accuracy, make it vital that you keep your wits about you.

Ten years ago, marketing via the Internet and e-mail was considered impersonal and a poor method of promoting your business. Today, the wide array of social media sites has **transformed** this method into one of the best and most cost-effective ways of marketing your business and generating sales.

Of course, in this book where we are talking about the investment of your first ten thousand rand, you should not be considering the more risky and off-the-charts investments. It is the right time, though, to spend some time studying and learning about investments and risks, including things and people to beware of. Hence our discussion of them.

A good way to learn is actually by risking a little bit of your wealth. If you buy a Kruger Rand, for instance, you will watch the movement of gold and the rand/dollar exchange rate with more interest, which will give you a more focused approach towards your investment process.

What's in it for them?

When considering investment opportunities, a good question to ask yourself is *"What's in it for them?"* If someone is trying to persuade you to invest in something, ask yourself why they are so interested in using your money for the investment, and not their own, when it seems such a great idea. You should not hesitate to ask them the following questions outright, "If this is so good, have you invested in it too?"; "How much?"; ''Why is it a good idea for me to invest too?"; and "Do you make anything out of it?" Then you'll need to consider whether to believe what they've told you and whether it makes sense. It would be prudent to ring up the investment company and ask their commission rates.

If someone fails to tell you the truth, be certain that this is not a good basis for a future financial relationship and doesn't inspire any trust.

What they don't want you to know

Another point to consider carefully is whether a salesperson is not telling you everything. A glossy brochure and website can be impressively put together these days by an enthusiastic geek in a bachelor flat. A posh postal address and telephone answering service can be hired for a small sum. The brochure can have numerous graphs and charts showing impressive figures, and often it can be difficult to find out their accuracy since there are no references to allow you to check them. If you are considering investing with an individual or organisation, you need to be **asking questions** and delving deeper. This will show that you are more sophisticated than the average punter and you will be treated with more respect. The more you consider investing, the more you need to check. Do not be pressured into concluding a deal because "you have to get in now before the investment runs!" – a convincing ploy to trigger your commitment. Watch the movie called The Boiler Room in which guys in a warehouse flog non-existent share offers to greedy people who want to get rich overnight! Be wary and do your research.

It may be that you decide to invest a smaller amount to start with and see how it goes. Your relatives and friends will repeat the mantra to you – *"if it sounds too good to be true, it usually is"*. In the last ten years many South Africans have been conned with stories that were “too good to be true”, which is exactly what they were – lies to make quick money.

There is a saying that *“if you throw money onto a bonfire, you lose it”*. If you put that money under your mattress, you lose it just as surely – maybe not to a burglar, but to inflation, devaluation and the loss of a chance to earn.

If you make a loss with an investment that you researched properly, then you can **learn a lot** from understanding what happened and why. This means you have not lost out completely because you will be able to use your experience the next time.

Future certainty: real security lies in yourself, your health and knowledge

We’d like to remind you again that real security in life lies not just in wealth. You always need to make sure that you are investing in your health, your family and your skills. The world is in such a **crazy state** that you have to be doubly on your guard to ensure that you are not taken by surprise when odd things happen.

A sassy bumper sticker said the following: *“History repeats itself. It has to, no-one listens.”* History is probably unlikely to repeat itself since the start of the Internet age and globalisation – no-one knows what will happen in future. Who would have dreamed that great banking institutions would fail; that ‘developed’ nations would print money to stay ahead, and be frightened to stop; that dealers would be trading billions of virtual/real money on inventions that nobody really understood, but didn’t dare admit to.

For these reasons alone it is essential to **increase your knowledge** of finance and money. It’s no good saying, “Oh, I’m bad with money, that’s just the way it is.” If you are smart enough to have read this far, you can decide to be better with money. Then it won’t turn and bite you on the backside.

Learn from anyone that you can. Consider everything you hear or read carefully, and decide whether it is relevant to your situation today or out of date, which could be dangerous. This saying holds a lot of truth: *"A wise man can learn more from a foolish question, than a foolish man can learn from a wise answer!"*

Own your own home – have no debt

Now, this is another thing that you will hear conflicting advice about. In general, we believe, you need to own your own home – not rent, and to pay off your home loan. Our reasoning is the following:

1. First, it feels great. Owing no-one a cent (other than having to pay property taxes and levies) is the greatest feeling in the world. Nobody can throw you out.
2. Second, you have an asset that you can use as security should you need to. (We don't advise this because it will then negate that no-debt feeling).
3. Third, if you should fall on difficult times, if work is hard to come by, then not having to pay a home loan or rent payment each month can make living on a reduced income much easier.

By contrast, those who recommend that you keep your mortgage and save or invest your money and, alternatively, those who recommend not owning your own home, cite the following advantages:

1. First, you actually have spare money to invest. If you pay off the mortgage, there is an opportunity cost – you cannot then spend the money on other investments which may make you spend more than you are spending on mortgage interest.
2. Second, those who recommend rentals state that owning a home is an illiquid asset –it can't be easily sold and cashed in if this became necessary. If you rent, you can simply decide to pack up and move to where the opportunities may be greater, leaving behind any problems for your landlord.

3. Third, if you rent, you have far fewer risks of a financial emergency – water leaks, storm damage, cost of maintenance, etc. Therefore, you do not need to keep so much cash available in savings accounts where you may be tempted to spend it, and where it won't earn you much, if any, interest.

This is one area where you need to **make up your own mind** about which scenario best fits your situation. In the past, financial gurus have always said that owning your own home is essential to being wealthy; today, there are many wealthy individuals who do not own their own home. Indeed, some wealthy people do not live anywhere permanently, but are 'perpetual travellers'. If this lifestyle suits you, you may not live anywhere long enough each year to have to pay tax to anyone. But keep that for when you are wealthy.

You don't need to be very wealthy not to have a permanent home. Some homeless people have nothing; some young people with no obligations to family tend to 'sofa-surf', staying with friends and extended family. They might choose to work where accommodation is provided. This is a way to live very cheaply indeed, and you can build your wealth fast in these circumstances. We recently came across a story of a young professional baseball player who earned on average two million dollars per season, but chose simplicity and lived in a motorhome! Perhaps that is a bit extreme, but it can be done.

Airbnb is a multi-billion dollar business where you can stay and live in other people's homes.

The lower your living costs, the less you need invested

Another way to be prepared for all eventualities in this crazy world in the future is to **reduce** your essential living costs. If you can live on twenty thousand rand a month, you'll be able to live off your investments, without the need to work, on much less capital (about R3 000 000) than if you have to bring in forty thousand each month

(R6 000 000).

When you are building wealth, if you get forty thousand coming in per month and still only have to spend twenty thousand, then you have a much higher disposable income to enjoy. Save half and spend half, if you must; or save it all and watch your motivation soar.

Don't borrow to spend. Remember, it's not much fun having to make payments on stuff you bought a year ago. Reducing your living costs is possible in most instances. In our past experience, we have seen that the average South African can reduce their non-essential spending by up to thirty percent. On a budget of fifty thousand, this can be as high as fifteen thousand per month. Invested well, fifteen thousand at eight percent compound rate of return can grow to more than R8 894 208 over twenty years. Taking into account that there is no increase in the R15 000 per month you invest.

Choosing where and how you live is your **own decision** to make. If you get to old age with very little, or nothing (like the majority of people), someone else will make decisions about where you live and who cares for you, and we bet they go for the least expensive, rather than the best.

Life is yours to live. You need to pay for it yourself, no-one owes you anything, least of all a living. Nearly everybody can do something to help themselves. Imagination, determination and sheer persistence will work.

Reduce living costs and invest in income

We should continue to keep saving on expenses and earning extra income until our passive income has **replaced what we earn** – and more. We generally need less than our current income to live on; after all, we are investing quite a bit of it. However, a good safety net is a passive income that is at least fifty percent above what we need. Then we can invest the extra and increase our income to keep pace with inflation.

It is important to know when enough is enough. Maybe you can start thinking about this point during the course of your wealth journey.[17]

Get the cash flow before the item

In the resources section we also mention another book – Rich Dad, Poor Dad. One piece of the author Robert Kiyosaki's advice is to make sure that you **get the cash flow** from your investments before you buy an item that has running costs. Kiyosaki uses the example of a car. The running costs of insurance, fuel, maintenance, etc. are added up to a monthly figure. When the monthly income from investments reaches that amount, you can afford to maintain the car and acquire the cash to buy it. From experience, the chances are that once you have accumulated enough cash to buy the car, you inevitably buy a smaller, less expensive car.

Protecting your money is up to you. In today's world you need to be flexible, watchful and ready to move fast when you see something that can affect you and your wealth. This might be an opportunity, a warning, an indication that it's time to move some cash out of an investment or bank and take it elsewhere. Perhaps you sense that all is not well and that you need to spread your money around different places. [18]

"Wealth is more often the result of a lifestyle of hard work, perseverance, planning and, most of all, self-discipline."

– Thomas J. Stanley, The Millionaire Next Door

Ordinary Millionaire Action

Are you saving 15% of your total income for retirement purposes?

1. Calculate your total income.
   Tip: Remember to take all your income into account. For example, net salary, rent income, dividend income, interest received, child support etc.

2. What is your total monthly savings?
   Tip: Take into account your emergency savings, regular savings, retirement savings and investments.

3. Do the math.
   Total savings (step 2) x 100 = Your % of you income that you save. Total income (step 3)

Secret 2:
Control Thy Expenditure - the Workings of a Good GPS

"You have to go broke three times to learn how to make a living."

– Casey Stengel

A GPS has a very simple function – it gets you to your end destination. It works very simply off satellite coordinates that triangulate where you are. If you choose a variation of destination, it will give you options for the quickest route. Our Wealth GPS works in exactly the same manner. We need to understand our:s

1. Starting point (your personal budget).
2. End destination (your financial goals, retirement plan or financial independence date).
3. How to tackle the journey (your wealth creation plan).

Start budgeting

The first step in achieving your financial freedom is to **start budgeting.** There is no point in boring you with accounting principles and, no, you do not need an accountant to do basic budgeting. The big question is, "Do you keep track of your money?" Here we are not talking about 'abnormal' or unusual expenses, such as buying a car, buying a new refrigerator, or organising a wedding. Indeed, these expenses are outside your normal routine and highly unpredictable in terms of timing and planning, but you can still include them as a part of your budget.

So, hold tight, and let's prepare your budget:

1 **Step One:** Track your monthly spend

Most of us have no idea how much we spend each month. The quintessential component of budgeting is to keep a tab on your monthly expenses.

2 **Step Two:** Track your annual expenses

Some bills will have to be paid once or twice a year, such as property taxes, holiday shopping and visiting a dentist. Divide such expenses by twelve to find out your monthly budget for those items.

For example, if you spend R3 000 per year on gifts, your monthly budget is R250 per month. Move that money (in our case, R250 per month) into a savings account, earmarked for 'gifts'. You can even withdraw this money and keep it somewhere else. Just be sure to stash it and hold on to it.

"A budget tells us what we can't afford, but it doesn't keep us from buying it."

– William Feather

3 **Step Three:** Track your once-in-five years/once-in-ten years expenses

The bigger expenses often catch you off guard. For example, you may need to repair your house, buy a new car, etc. Rather than financing these expenses at a later stage, it is a good idea to make a payment to yourself every month, even if at first it might look like it is impossible to do.

Calculate how much such once-in-five years/once-in-ten years items will cost. Divide the amount by the time frame and earmark this amount as 'pay yourself' every month. For example, you might want to buy a car worth R250 000 four years from now. This means you have to save R5 200 per month for the next forty-eight months. Set up an automatic monthly transfer of R5 200 from your cheque account to a savings account.

Of course, you will also save for other personal goals, such as R750 per month for a vacation, R250 per month for a new roof, etc. – all told, the total amount being transferred is significant.

4 **Step Four:** Track your once-in-a-lifetime expenses

Okay, we are not done yet. The biggest amount you will have to shell out will be your once-in-a- lifetime expenses, such as university costs, weddings, etc. Save for these by determining how much they will cost, and divide them by the time frame.

For example, if you want to earmark R500 000 towards your child's university expenses and your child is currently six years old, he or she will go to university in twelve years from now, which is 144 months. Now divide R500 000 by 144, which equals R3 472. This means you will have to save a minimum of R3 472 per month in a university fund.

However, the interesting thing to note is that twelve years from now, R500 000 will not have the same purchasing power as today. Factor inflation into your calculations and compensate for it. For instance, you're contributing R3 472 per month this year towards your child's university fund. Assuming an inflation of six percent a year, multiply R3 472 by 1.06. This equals R3 680, an increase of R208 per year. To keep up with inflation, you will have to multiply your contribution with 1.06 each year for the next 12 years.

Therefore, you will have to contribute R3 680 to the university fund in the second year. Similarly, you will have to contribute R3 900 per month for the subsequent year (R220 multiplied by 1.06).

Budget worksheets

Below are three worksheets that will help you to create a budget. They will also give you a clear view of the next month so that you can plan effectively.

We know that you are learning, so let's start slowly. Focus on using one worksheet; once you master it, move to the next one. For example, you can use the Discretionary Spending worksheet to calculate the expenses you allocate to fun and entertainment.

Budget worksheet - income and necessities

To manage your money, you need to **track all your income and expenses.** This worksheet will guide you on where your money comes from and where it goes. We recommend printing and completing this worksheet every month. Start at the beginning and end of each month.

"Annual income twenty pounds, annual expenditure nineteen—result happiness. Annual income twenty pounds, annual expenditure twenty-one pounds—result misery."

-Charles Dickens

Spending more than you make can be fun for a while, but in the end, Charles Dickens is right—it can be misery-making. There is nothing fun about paying interest on money you have already spent. The good news is that life doesn't have to be this way. If you have been spending more than you make, you can reverse the process and escape the misery. If you haven't been overspending and you are simply trying to be pro-active and plan to avoid misery, then you are steps ahead. How do you prevent misery? Start to budget!

There are different ways to budget. If you are new to budgeting, keep it plain and simple. So, hold tight, and let's prepare your budget:

1 **Step one:** What are my goals?

We started the book defining what is your financial goals and dreams. There is a reason to our madness. Like a GPS a budget has a very simple function – it gets you to your end destination.
What are your financial goals? Do you have debts you need to pay

off? Are you saving for a home or holiday? Are you saving for your children's education? If you have not figured this out we urge you to seriously take some action to determine what you want. Budgeting involves tough choices, but having a goal will make budgeting a little less painful and allows you to start planning for the future.

2 **Step two:** Where is my money coming from?

Where does your money come from? List the sources of your income (e.g. work, rental income, child support, interest from investments) and the amount that comes in from each source each month.

Types of Income	Amount received every month
Source 1:	
Source 2:	
Source 3:	
Total income per month:	

3 **Step three:** Where is my money going?

Do you check your bank account at the end of the month and wonder where all the money went? Before you can manage your money, you have to know how you're spending it. Use a spreadsheet to track and categorize your expenses for one month. Get in the habit of recording your expenditures once a day. Download this form to create your budget on www.theordinarymillionaire.com

If you have a monthly savings goal (and you should!), include it as an expense. It is much easier to save money if you've planned for it in your budget. And it's important, too: if you run into unforeseen expenses, you'll want to be able to pay them without going into debt. And even if nothing goes wrong, having some savings will help you follow your dreams in the future.

Household Expenses		**Education Expenses**	
Rent	R	School fees	R
Repairs	R	University	R
Electricity and water	R	Tuition	R
Telephone/mobile	R	Books and uniforms	R
Rates and taxes	R	Other	R
Body corporate fees	R	***Sub total***	***R***
Internet	R	**Debt Repayments**	
Television/DSTV	R	Mortgage	R
Groceries	R	Car loan	R
Gardening	R	Credit cards	R
		Personal Loan	R
		Store cards	R
Sub total	***R***	***Sub total***	***R***
Transport Expenses		**Savings**	
Car registration	R	Emergency fund	R
Parking	R	Regular savings	R
Fuel	R	Investments	R
Repairs/Maintenance	R		
Public transport	R		
Sub total	***R***	***Sub total***	***R***

Personal Expenses		Other Expenses	
Clothes and shoes	R	Child care	R
Hair and beauty	R	Gifts	R
Sub total	***R***	Donations	R
Insurance		Hobbies and sport	R
Home and content	R	Subscriptions	R
Car	R	Restaurants	R
Medical	R	Alcohol and cigarettes	R
Life	R	Pet food	R
		Other	R
Sub total	***R***	***Sub total***	***R***
	Total Expenses	***R***	

4 **Step four:** Add it all up.

When you compare your income and expenses, do you have a monthly surplus, or will you be needing another job?

Total income	R
Total expenses	R
Remaining	R

If you already have a surplus in your budget, congratulations! You can invest in your future.

On the other hand, if your expenses exceed your income, step 5 will help you make some adjustments.

5 **Step five:** Make adjustments if needed.

If you're over budget, you need a strategy for controlling costs. Go through all your expenses in step 3.

Begin with items where you may be overindulging in. **For each type of "want" excessive spending decide on a reasonable monthly limit that will help you balance your budget.** Would it help you reach your goals if you limited yourself? Rather than dining out,do more shopping at the grocery store. Can you get by without a monthly clothing or electronics expenditure, making such purchases only after you reach savings goals? **Set a cap on your "want" expenses and see if you've balanced your budget.**

Do you have a plan for your money?

It can be hard to stick to a budget if you do not know what you want to do with the money you save. It helps to have goals so that you know what you are working towards, and they don't have to be big.

You might want to:

1. Save for a family holiday
2. Get your debt under control
3. Save for a deposit on a home.

Think about your goals, and then work out how much it will cost to achieve them. For example, you might want to save for a home deposit and a digital camera. Using your budget, you can work out how much money you have to save for your deposit.

Use the table below to set out your goals.

Goal	Type	Date	Total amount	Amount required to save each month
Home deposit	Long term	36 months	R180 000	R5 000
Digital Camera	Short term	6 months	R21 000	R3 500

Planning for unexpected expenses

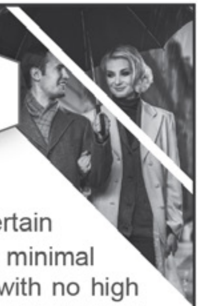
It's a good idea to put some money aside to use in emergencies. You need to put away 3 to 6 months' worth of living expenses. This topic is discussed in Secret 6: Ensure thee a future income.

Ordinary Millionaire Action

Use your budget to create savings. Make a list of your **discretionary expenses.** Reduce or eliminate these expenses. Eliminating some and putting a bit more focus on the things most important to you will lead you to making cuts in your spending. By doing this your will have more cash back into your pocket.

Expense	Need or want	Reduce or eliminate	Amount saved
Gym membership			
DSTV			
Gifts (birthdays)			
Internet			
Take-away coffee			
Dining out			
Lottery			
Subscriptions - magazine			
Other			
Other			
Other			
Other			
Other			

ACHIEVE FINANCIAL WELLNESS



What is Financial Wellness?

It is a state where as an individual one has achieved certain financial goals, through which one can experience minimal financial stress. It involves living below one's means with no high interest debt and having the flexibility to establish an emergency fund. One's income and assets are protected from loss and an ongoing plan is implemented to maintain and reach future financial goals.

Starting Point, the beginner course starts by looking at some of the concepts and questions asked in "The Ordinary Millionaire" book. We delve into participants relationship with money, looking at topics like:

- Why is money important to you?
- Types of money users
- Financial Pitfalls
- Budgeting basics
- Savings - 3 bucket approach
- Delving into debt & what threatens your savings

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Secret 3:
Make Thy Gold Multiply - Make More Money

"Money does not make you happy but it quiets your nerves."
– Sean O'Casey

In this chapter, we will discuss with you the various ways to **increase** the flow of money (and multiples of it) into your life. This can be done by earning money at work or in business, or by income from investments or passive income from work done previously.

Your R100 plan (or multiples of R100)

Now the practical stuff starts. Get a R100 note out of your wallet. Hold it in your hand, rub it, fold it, smell it (just make sure no one is watching). Value it – know that it is the start of everything for you, and it is essential to be able to have money and not to spend it all.

Do an exercise where you keep this R100. Realise that this is the **start of your fortune** – gather a few more of these notes and you will be on your way. Now, if you are really serious, keep it. Put that note out of reach. It can go in a separate savings account (a notice one, so that you can't get it instantly), or into a dedicated wallet, envelope, or savings tin or jar.

This is your future, your money. No-one has any hold on it, not even you for any reason other than you're becoming wealthy. We don't care if this is your lunch money – go without. Be serious here or there is no point in you reading any further, unless for light entertainment.

If you truly want to be rich, you will need to read the next few paragraphs and make your choice.

Only a net R100 Counts

First of all, we have to put a reality check in this section: you will have to make more than R100 to gain R100. Remember that you will be paying taxes (or putting some of your self-employed earnings aside to pay tax) on your income. As only a net R100 counts in this section, you will need to gross about R140 to get R100.

It takes time to earn R100

In order to increase your income, you will need to **spend some time** on it, either when working for it, or working out the investment that will bring in the income. This can be time that you have saved, for example, by reducing your DSTV package (saving money), which also gives you more leeway to work on this section.

You need to allocate some of your time to plan how to earn extra money. It is important to work out how you intend to earn the extra, and how much your time is worth, using a particular business idea. However, it is also important to start doing something and escape the avoidance technique of planning and planning and over-planning ...

You do not need a twenty-page business plan for most ultra-small businesses. You should not intend to borrow money from the bank. When you think of an idea, ask yourself: "How can I earn one hundred rand from this?" and just do it.

This small exercise will teach you three things:

1. Did you enjoy it?
2. Was it worth it (considering the time, effort and investment for that R100)?
3. Can it be scaled up and done again and again?

Then you can decide whether to pursue the idea or whether to let it go and try something else, or whether you can take something from it, adapt it, and use this for another money-earning venture.

You need to consider if this is a good use of your time. Learning new skills is valuable and worth the loss of time – sometimes. However, it also means that you are not out learning more important things. It might be better to use the time selling items or services – the ability to sell (sales) is a vital skill in all aspects of becoming wealthy.

Don't cringe at the thought of selling either. You always need to be selling – bear in mind that even telling your friends about a great new movie that they must see is selling (in this case, someone else's profit-making product).

"I am fiercely loyal to those willing to put their money where my mouth is."

–Paul Harvey

Don't disregard the power of this exercise. Consider the following: if you know how to make R100, do you think it is possible to make R200? What about R400? It literally takes the skill of learning to double R100 fifteen times to get to R1 638 400.

Learn to Double your money

1	R100	8	R12 800
2	R200	9	R25 600
3	R400	10	R51 200
4	R800	11	R102 400
5	R1 600	12	R204 800
6	R3 200	13	R409 600
7	R6 400	14	R819 200
		15	**R1 638 400**

Work for it - be determined and persistent

Working to increase your income can seem like a long, lonely slog. This is why the book starts with the sections on **personal motivation** and mindset. Before we begin the extra earnings section, however, let us remind you of your goal. You are saving – R100 at a time – to become a millionaire (or even wealthier) as quickly as you can.

If you earn extra money, you should not be doing it to save for a new computer, go on a great holiday, or pay a deposit on a new car. Your R100 and your savings are your long-term workers which, when invested in your future, will prevent you from needing to work unless you want to, ever again.

Of course, you can also put money aside for the nicer things in life, but keep those savings separate from your ring-fenced wealth fund – and be aware that your wealth target will take longer.

Various ways to earn extra in your main job

Before you embark on earning an extra cent you need to determine your current rate, i.e. **what are you worth** per hour at work. If you currently earn R50 000 per month, that is R600 000 per annum, if you work 2000 hours per year, your hourly rate is R300 per hour (R600 000/ 2000 hours). Once you know this your aim should be to increase your rate no matter what! Just remember one thing, price is what your employer pays you, value is what they get. To increase your rate you need to increase your value delivered.

One way is to work extra hours. If you normally work five days a week, and are offered to work an extra day overtime, it can sometimes seem like you are wrecking your life and social plans. Making money can be hard work – don't reward yourself too early.

But, if the shift is an extra hundred rands per hour, after tax that'll be around R600 or R700 for your wealth chart. Each hour that goes past, you can mutter to yourself, that's another R100. Your money seeds will be multiplying, ready for your investment.

However, once you are further into your wealth-building targets, you need to consider carefully whether your time is worth more when it is invested into your side business rather than in accepting overtime – if you get a choice.

Another way to earn extra is to get a pay rise. Whatever your job, you are in fact in sales. Perhaps you are just selling your time to your employer, adding value to their business. Here are ways to add good value: arrive at work promptly (or even early), stay on late, do anything that needs doing, even if it is not your job. Try to get on with everybody, make suggestions for improving business, and willingly try new things that are proposed.

Of course, you need to make sure that this is noticed. If you are too modest, others may take the credit – and the pay rise that you were going to ask for, once you have proved that you are indispensable. You may also be promoted, but you will need to be proactive and to keep your eyes on actual staff movements and potential staff movements.

A third way to make more from your job is to become a consultant or contractor for your employer if you see any area that needs extra input. Some agency workers assimilate into a company where the agency pays your salary. Then you can be paid up to the personal tax allowance and the rest in dividends, which are taxed at a lower rate.

A fourth way is to be head-hunted by a competitor company who notices that your work ethic is essential to their business. Never dismiss an approach like this. It is always worth serious consideration, even if you eventually decide to turn down the offer. Always be careful not to burn any bridges. Be polite and courteous – you never know if you may decide you want to work with that company or individual again in the future.

Then pat yourself on the back. You must be terrific to be noticed and sought out like that. Be more confident – you are obviously worth it!

"Don't let making a living prevent you from making a life."

– John Wooden

Keep your eye on the goal

It is important when working extra hours or putting a lot more effort and enthusiasm into your job, to keep your **ultimate goals** in mind. Remember a job is just that, a job.

The owner of the business that employs you is the one getting rich. All the net profits of the business are theirs (or the shareholders). Most businesses are run to make a profit for their owners, not to help their employees become rich. To make a profit, they sell for the highest price they can make, and keep their costs at the lowest they can – and that includes employees.

Later on, this will translate into you having your own business and being on the right side of the boss/worker divide. If you have a look at the richest people in the world, every single one on the top of the charts owns an equity stake in a business (or many businesses).

Earn from a second job

It may be that you cannot get overtime in your main job, but you

have spare hours where you can take on extra work. Examine your skills. Find out where you can earn the extra money that will take you towards your dream. A side job like this can be a great way of 'scoping' a business idea.
If you have a dream of opening a restaurant (or chain of them), there is nothing better than a job as a waiter to find out the real business issues. New skills in any side job can be valuable and can be carried into many different situations.

Have one or more side businesses

Another way to look at time that you have available to amass your fortune is to look at starting your own business, **working from home.** This is a great idea. Not only will you make money (with the right idea), but you will learn a tremendous amount about accounting, administration and other matters, as well as how to provide value to your customers or clients.

There are several considerations about which business to start. In this chapter, we concentrate on helping you with ideas about earning immediate extra income. We also discuss the sort of business that doesn't need all your time and input (all businesses need you at first), to give you passive income. But first, let's talk about the hands-on business types.

Sell stuff

The first type of business is where you **sell a tangible product** or, if you don't want to be a salesperson, offer a product that people will want to buy from you. You can source the products from anywhere around the globe, such is the power of the Internet. The products can be made by you if you excel at craft work, or collected free from your locality. For example, do some research on Amazon, EBay, OLX, or other online auction sites.

You need to do your research on any particular choice first. Find out if there are any local laws preventing you from collecting particular items. You also need to check that the items you are selling are in demand, and that postage costs won't eat into your profits too much

Amazon Distribution Services (ADS) is one of the fastest growing online business opportunities around. Do your homework and get started.

Selling your own no-longer-needed stuff on OLX is a good way to acquire extra money and to begin gathering your R100s. Then you might start selling things for neighbours on commission and graduate to buying items deliberately to sell. Remember that selling your own old stuff is not a business, but selling items deliberately bought in order to sell is a business. You need to start keeping records and to inform the tax authorities.

It is to your advantage to register as self-employed. You must also keep aside the portion of your earnings that you will need in order to pay the requisite tax when it falls due.

Service businesses

In this type of business, you are **selling a service** rather than an actual object. You can go around to your neighbours and clean ovens; perhaps you are a whiz at decluttering a house (other people's homes are much more fun to declutter than your own, somehow). You can teach local people how to play the piano or the guitar. You may be a keen gardener with an industrial-sized lawnmower who can do a lot of garden maintenance work throughout the summer months.

Of course, none of these businesses are really likely to make your fortune completely – they are too time-consuming. However, you can learn a lot from doing them and, in these early days, you need to build some money as the seed capital to invest in bigger projects.

Online - web design, apps ect.

There is tremendous potential in **online opportunities.** If you know programming, or have other skills, some people will pay you for these. Remember, however, that things change really fast in this field. A few years ago, a good programmer could earn hundreds of rands designing websites, but now everyone can build their own with various hosting packages, for example 'Wizards'.

Obviously big companies still want properly designed sites that don't look like everyone else's, but the tiny one-man band website guru is gone.

At the time of writing, many smart people are advertising their talent to program your app idea. This is a great income generator if you can do it. But already there are various programs available that enable people to program their own app, which means your talents must shine through in much more professional products. Of course, you may find yourself in demand untangling the mess people have got themselves into!

There are a number of sites where you can **advertise your skills** – Upwork is well-known. Fiverr is another site where services are on offer for a mere $5. Remember, you will not get the full $5 for your work as the site keeps a portion, and you need to spend time liaising with customers and so forth.

You need to be very careful that you do not end up working for virtually nothing – unless this is a springboard to building your brand for the future.

Become a consultant

If you have spent five, 10, 15 or even more years in a company where you have contributed to the success. Then you have incredibly **valuable experience,** know-how knowledge and you can profit from it.

It might be a daunting thought, but selling one's know-how and knowledge has become the number one business around the world, and everyone can do it!

Both Forbes and Inc. magazines are saying that a consulting business (even though they are home-based) is one of the **top ten** most profitable business types.

So, before you start, which consulting business has the potential for biggest growth? Consider the following stats:

1. 71% of businesses plan to spend more on digital marketing technology.

2. 73% of the global population is engaged with social media every month.

3. Most businesses fail to market their services to their ideal target market.

Considering the above and the fact that 60% of the South African economy is driven by the **informal sector** and small, medium businesses, I would argue that if you can deliver consulting on any of the above areas you will have the pick of clients.

Maybe now is the time where you say, “But…!” Most people feel they cannot be a consultant, because they feel they are not an expert.

You see, most of us downplay the **value of our knowledge,** experience, expertise or story. We did that until we understood the quote that says:

“In the land of the blind, the one-eyed man is king”

You don’t need to know everything about a specific topic to be a successful consultant. Waiting until you know everything means waiting forever, especially in this rapidly changing business world. All you need to know is a **little bit** more to make a significant difference in the life of a client.

Author and business consultant, Brian Tracy said that if you learn the content of the top three books in a business category and have gone through just one of the top training programs, you know more than 95% of all experts in the industry!

Long-term residual incomes

Long-term residual incomes are the holy grail of the earning section and merit a chapter on their own.

"If you can count your money, you don't have a billion dollars."
– J. Paul Getty

Passive income

What is residual or passive income? This is the type of income that will give you the **freedom** to never have to work for money again. Once you earn that R100, the idea is that it will earn for you when it is invested. Some of the investment (such as in your own skills) will help you to earn more in the future; some will allow you to set up royalties – a passive income from your books, songs, apps or programs; and others (such as stocks and bonds) will earn income for you without you having to do anything after the initial purchase.

As your investments increase, your income will increase. Some investments will increase the income year on year, such as index-linked bonds and some funds.

We have just described types of income. In the next section about investments we will go into more detail, and indicate how much you can hope to earn on your money.

Interest

As small children we learn what this is. You pay money into your bank account and **earn interest** on it. We learn more painfully about this the other way around when we become young adults and are granted our first credit card or loan. Here the bank is lending you the money, and you are paying interest for the privilege. Obviously, the banks don't give you that money out of the kindness of their hearts. It is their money seed, invested via a loan to make them a passive income. And, surprise, the **interest rate** at which you borrow is way higher than anything you can earn in your savings account at the same bank. This borrowing cycle is a fool's game and, to be really wealthy and secure, you need to grab hold of these concepts and understand them.

Remember, when you put money in the bank, it's now no longer your money in your account. You have loaned the bank your money, on certain terms, and you are now a creditor, being paid the interest with the right to get it back under the agreed terms – access on demand, thirty days' notice, etc. If the bank gets into financial difficulties, it may not be able to give it back to you on demand – this is very unlikely but, in this crazy world, not entirely impossible.

It's only just a couple of years ago since the people of Cyprus woke up one Saturday morning to find out that their banks were not going to reopen to allow them to get their money before a percentage of their deposits had been appropriated (stolen) from them. For a week, people had to queue for hours to withdraw a tiny amount of money or have nothing with which to buy food. Most traders refused to take cards and bank transfers were halted.

After a huge outcry, those with small deposits lost 'only' a small percentage of their money; those unlucky enough to have put in a larger amount (one 60-year-old, from a house sale) lost up to half their money; and some bigger investors (reputedly tens of billions in Greek currency) lost most or all of it.

Dividends

Dividend income is quite different. Here the company has not borrowed money from you, **paying interest** for the privilege. Instead, you have purchased shares or stock in the company and have become a part owner. The company then pays (or not) a share of the profits to the owners (you) as dividend income.

This is entirely at the discretion of the Board of Directors. If they need the money to remain in the company to invest further, or they've taken some misguided action that has resulted in poorer profits, the dividend income may be less or dry up completely for a while. As a part-owner in the business, albeit a very tiny one, you have a say in how the company is run by going to the shareholders' meetings and voting to keep or ditch the Board.

However, that is not the object of the exercise here. To gain the passive income, you choose a company you think (by research) is doing well in a field you understand and think is secure, buy your shares, and wait for the dividends to be paid into your bank account. You can hold these stocks directly, or in an investment company owned by you, or as part of a nominee account with a stockbroker who can hold them for you, perhaps inside a tax-efficient 'wrapper'.

Passive businesses - rentals and other

Other forms of passive income can come from **previous work** you have done. For example, you may have invested money in rental properties. There can be considerable work in this – from sourcing the property and the finance, purchasing it, and getting it ready to rent. Next comes finding the tenant, doing all the legal work to protect yourself, and setting up the tenancy.

The ongoing work of being a landlord can be a full-time job but, if you want passive income as described in this section, you can employ a letting agency to **manage the property** for you, or perhaps another landlord who will manage the property for you alongside their own. Both of these options will obviously cost you a portion of the rent, but will free up your time for further income-producing work or sourcing more properties.

Building up a business is certainly not passive income. However, once you have built it up to the level where you can employ a manager to do the day-to-day work, the income stream is passive income. As in all of these options, however, you need to keep an eye on things. If your manager does not have an interest in the business doing well (or only well enough to cover his or her salary), it may not stay dynamic enough to continue to prosper.

Royalties - another automatic income

This type of income is **earned by work** you have done earlier. Pop stars get royalty income from sales of the albums they have worked to produce, as well as licensing fees from the use of their names on memorabilia products. Composers gain royalty income when their music is played, bought or downloaded. Authors get royalty payments when their books are sold and sometimes when they are borrowed – passive income as a reward for their earlier hard work in writing something that is of value to their buyers. Artists such as photographers acquire royalty payments when their prints are sold, or prints of original paintings and other works. Copyright laws protect the artists from plagiarism or copying.

Be legal from the start

We would like to emphasise that it is really important to do everything right from the beginning. Many people become accidental landlords, for example, because they can't sell their house when they move and so they rent it. In the process, they forget to inform the authorities, their bank, or their home insurance. Later, the chickens come home to roost – not having kept records, they cannot prove the minimal profit they were gaining, and are assessed for more tax than they needed to pay. Or, for instance, the house sustains storm damage and the house insurance refuses to pay out because they failed to inform the insurer that the property was no longer owner-occupied.

Whatever form of business you start, it is essential to inform the relevant people. It is all to your advantage and helps you to sleep soundly at night.

"If someone offers you an amazing opportunity and you're not sure you can do it, say yes – then learn how to do it later."

– Richard Branson

Ordinary Millionaire Action

Try this experience. Make a list of all your **variable expenses.** Make a deal with yourself – for every rand you save, put a rand into savings for the future.

Reducing some and putting a bit more focus on the things most important to you will lead you to making cuts in your spending. By doing this your will have more cash back into your pocket.

Expense	Need or want	Reduce or eliminate	Amount saved
Electricity and water			
Cell phone			
Telephone			
Fuel			
Maintenance: Car			
Maintenance: House			

Secret 4:
Guard Thy Treasures from Loss - Protect Your Money

Ahhh! Nostalgia time. We remember a time when being told that a person was a millionaire would put them on another planet in our eyes. Back then, people's annual salaries were only just moving into the tens of thousands, so it was just as difficult to reach millionaire status as it is today. Just perhaps a different sort of difficult.

Now some older people – who don't live extravagantly – are living in homes that cost them just a few thousand fifty years ago, and which are now **worth over a million.** Just because of that, these are wealthy people; but they aren't, not really, unless they sell up, downsize and invest the proceeds. It used to be a sure-fire way of increasing wealth, but real estate is not so certain these days, although it can be, when done with care and knowledge.

We often hear people saying how 'much' they have made from a property that they sold for one million and only paid R600 000 for eight years ago. But they forget that they paid close to eight percent for transfer fees and legal fees, etc., as well as the cost of maintaining the house. They should also consider the actual cost of the house by calculating the monthly repayment and multiplying it by the number of months. They would quickly find that interest paid has eaten up much of their so-called profit.

Living the millionaire lifestyle is quite easy during boom years. Access to credit is easy, a decade ago, many people were living a wealthy lifestyle and putting the cost on credit cards, building their lives on debt. This tends to **catch up with** you rather fast, and eventually you can borrow no more.

As the saying goes – "Spend tomorrow's money today, but remember, eventually you reach tomorrow and have to pay it back". If you don't try to keep up with the Jones' and simply concentrate on creating wealth, you may well see them begging on the corner when you are off on a holiday in your retirement years after their debt has caught up with them.

We need to focus on **building wealth first,** then the lifestyle will follow – if and when and how you wish. You can't borrow now as you used to be able to. And if you can, you shouldn't want to. Because if you borrow, you inevitably pay more for each item than you would have if you were not liable to pay the interest on the debt. If you're not paying interest, then you have plugged the debt hole in your hot tub of wealth, and that money can be used elsewhere – to build wealth or to spend on what you need, rather than to make another bank richer.

Aspects of estate planning

You've worked hard to build up your assets. However, did you know that you could **lose them in** a very short period if you do not protect them properly? Worse, you could be sued, subjected to judgment or declared bankrupt.

Rest assured that you can shield some of your assets. In this chapter, we will show you various measures to protect your savings, which can also save you hundreds of thousands of rand in estate duty.

It is a common fact that more than seventy percent of South Africans do not have an **updated Will.** This is so, despite the fact that it could be done for free in as little as thirty minutes. People who do not have an updated Will can be regarded as careless and selfish because they leave the winding up of the estate to loved ones who are already going through the anguish of a loss of life, making the process take much longer. We have seen many close families fall apart because of estates not being planned properly, which leads to fighting and greed.

We hope the following information helps you to understand what we mean by the importance of having a well-thought out estate plan. It can make a tremendous difference in your children's lives once you're not around. Consider the following situations:

The risk of selfish relatives

If you die without a Will that names a guardian for your children, the court has **the power** to appoint a guardian and grant them custody of your children. It may be an individual who you would never have chosen, or someone who you would have felt is unqualified. Obviously the court does not know a person as well as you do. Perhaps a certain relative, who you would have considered to be completely unqualified as a guardian to your children, approaches the court seeking custody of your children – and proves themselves, this becomes a risk for your children.

An expensive procedure

Minor children (below the age of eighteen) are not permitted to have ownership of assets beyond a certain amount. If you fail to make detailed estate planning decisions when naming beneficiaries of your assets, in the event of your death the court will appoint a guardian over your estate to oversee the inheritance process. Such procedures can be **very expensive.** For example, arranging the release of the property and approving certain expenditures requires the services of a lawyer. An iron-clad estate plan will ensure that you avoid this scenario and all these unnecessary expenses, safeguarding your money for your children.

The power of attorney

Besides making provision for the event of your death, you also need to make provision in case you become disabled or incapacitated. If such a situation occurs, your children's lives would be seriously impacted if you had failed to sign a durable power of attorney. A power of attorney (POA) gives another person the right to make decisions on your behalf. If you are unable to communicate or to manage your finances and affairs, you may have family members who go to court to obtain a conservatorship. You might never know what they are up to. A durable power of attorney protects you and your children from this possibility.

Another important consideration is **our parents.** Unfortunately, they are aging and the risk of physical incapacity and illnesses such as Alzheimer's or other mental diseases is a reality. A well-crafted power of attorney could provide the necessary support and comfort in the event of health issues.

By now you must realise how essential the estate planning process is to protect your assets and your family. You should also consider a 'Living Will', which is a **legal notice** stating that if you are unable to stay alive without the support of machines, and are mentally unaware of situations around you, you request the machines be switched off. This is not an assisted suicide, but it definitely takes away this onerous and heartrending decision from loved ones. Family members faced with these circumstances can live with guilt for the rest of their lives if they make this decision without you having put a Living Will in place.

The lack of a carefully considered estate plan could put the course of your children's lives in jeopardy if it is placed in the hands of the wrong people.

Estate planning

This section discusses the various aspects of estate planning that you need to consider.

Will

A Will is perhaps the **most popular** estate planning tool. For many individuals who don't have extensive assets, a Will helps you to transfer your assets on your death. A valid Will ensures that the probate process and the distribution of your assets go smoothly. You can also name a guardian for your children in your Will and send any messages to your loved ones.

Without a Will, this process would be a lot more difficult. It will take up a lot of time and end up being very costly. Estates can easily take years to wind up!

Inter-vivos trusts

An inter-vivos (between the living) trust is often used as an **alternative** to a Will. It circumvents the need for an extensive estate and enables you to maintain control of your assets while you're living, and to specifically direct your successor or 'trustee' with regard to the distribution of your assets after your incapacity and/or death.

However, an inter-vivos trust does have its limitations. For example, it doesn't help you to reduce your taxes or increase your retirement income. It doesn't protect you from the expenses associated with long-term care. In our experience, by simply creating an inter-vivos trust and ignoring the rest, the chances are that your estate will not be large enough even to warrant a trust at death.

Still, it's **not too difficult** to establish a good trust these days. The real value comes when it's time to settle the trust. When an individual passes away, the heirs usually go back to the attorney or advisor who drafted the Will and/or trust to have the estate settled. The attorney is typically best suited for dealing with the legal aspects of settling the trust, but what about the tax and financial issues? A financial advisor who specialises in retirement planning can help you to set up your trust with an eye towards your exit strategy.

Tax-efficient distribution

Once you have decided who will inherit the assets that remain upon your death, it's important to make sure that they will be distributed in the **most tax-efficient** manner. Some accounts can be structured to 'stretch' the money that remains at your death over the lifetimes of your children and grandchildren. Rather than inheriting all of the money at once – and paying tax on it, your heirs can receive a portion of it each year (in the form of a required minimum distribution), as long as they live. Taxes are significantly reduced since the taxable amount is limited to the annual distributions. Moreover, the money that remains in the account continues to grow, tax-deferred.

Another **major** consideration is which assets should be left to charity. This is an important part of leaving a legacy, but many times people end up leaving the wrong assets to charity, which simply creates an additional tax burden on whatever is left to the family – usually the children or grandchildren.

Charitable considerations

If you list a charity as a beneficiary of your retirement accounts, you can create an **immediate taxable distribution** on all of the money inside that retirement account when you pass away. You need to make sure that this is done properly so that you don't create an adverse tax consequence.

Often people tell their estate planning attorney that they want to leave a certain percentage to charity, and the attorney drafts that language into the trust. The problem is that the trust does not control the distribution of retirement accounts. However, it does control the distribution of your other assets, some of which are tax-free and tax-efficient and therefore should go to family and non-charity heirs. As a consequence of the language, however, some of those assets go to charity. Meanwhile, the retirement account then typically goes to the children who face a heavy tax on it, while a charity would have paid no tax on the bequest. You need to make certain that the trust is properly set up and doesn't merely state a percentage that will go to charity. If you do this, you are leaving the wrong assets to charity. This is an extremely **important consideration** that is missed far too many times, resulting in unnecessary taxation to heirs.

Estate-tax exemption

It's important to be sure that you'll make the most of estate tax exemptions. Most people also **miss the fact** that many times, upon death, when the spouse directly inherits the retirement account, it cannot be used to fund the estate-tax exemption. As a result, it frequently happens that the deceased's estate-tax exemption is lost. Even though the tax exemption can be carried over to the surviving spouse, the possible growth of the exemption is not, therefore money can be wasted. For instance, if R3 500 000 were bequeathed to a trust at death (and hence escapes estate duty), the R3 500 000 may grow to R10 000 000 over time, which would save duty on R6 500 000 if the assets were merely donated to the spouse under sec. 4q of the Act.

Therefore, when the surviving spouse dies, he or she ends up **paying estate taxes** that could have been avoided simply through better planning when the first spouse died. Proper funding of trusts can keep the exemptions intact, which is another huge issue in estate planning that is often entirely missed.

Wills versus trusts

A Will typically guarantees that you go through probate, the legal process of establishing its validity. A trust is designed to avoid estate duties, which are expensive. A Will can tie up assets for months, or even years, and opens your affairs to the public. By comparison, setting up a trust saves both time and money and reduces the tax bite.

Not everyone needs a trust. You may be able to eliminate the need to create a living trust if you don't own real estate and you typically own assets that can bypass estate duties, for example those with a named beneficiary such as life insurance or a retirement account. But most people will need a trust to avoid estate duties.

A trust can also be designed to **protect the assets** from an individual you really don't like, such as a son-in-law who you feel has mistreated your daughter and would mistreat an inheritance, and to block him off if a divorce seems imminent. You can put the right language in a trust to protect the asset (or assets) for your child so that the in-law can have no part of it. You should keep the money for the beneficiary inside the trust, allowing your child to make withdrawals as needed and leaving the rest protected.

A trust can also protect **retirement accounts.** Typically, if you simply list your children as beneficiaries, they bring that money into their own estates which then makes it subject to their own and also their spouse's creditors, lawsuits, judgments, liens, divorces – and such like. However, you need to use proper planning. You typically do not want to list your living trust as the beneficiary of your retirement accounts. If you do, when you pass away, all of that money is likely to become 100 percent taxable immediately. This is similar to the tax nightmare of putting your children in a higher tax bracket. These are some advanced planning issues, but it pays to know about them.

A trust allows you to do just about anything you want to in distributing assets to your children or others over time. If you have a child who isn't much good with money, you can certainly specify that a sum left to that child will be distributed as income over the rest of his or her life, or it can be stipulated that the child can get 'full access to capital' only after a certain age, and can benefit from trustee distributions and payments until that time. The right type of financial product can be used to generate that lifetime income without having to keep the trust open and deal with trust administration.

You will need to make sure that your trust documents establish that the people who you put in charge if you can't make your own financial or medical decisions will have the power and ability to do planning at that time on your behalf. You do not necessarily have to go out and do all the planning for something that may or may not happen, but you do need to have language in your trust that gives the authority to take appropriate action. You don't want to hamstring your beneficiaries.

Envisioning a legacy

We find that people are often hesitant to address their estate planning issues because they're **still concerned** about their own financial security. It's hard for them to do more until they feel comfortable about this issue. Only once they have addressed their financial security and created a plan for it, and only once they have an income strategy that reassures them they're going to be alright, can they envision what they want to leave behind as a legacy, and what this will look like. That's when estate planning can truly begin.

As people reach retirement age and beyond, their thoughts often turn to who and what matters most to them. When they discover that they have the financial capacity to do more than take care of themselves, they gain a sense of freedom that allows them to finally consider how they will make their mark on the world.

"Giving money and power to government is like giving whiskey and car keys to teenage boys."

– PJ O'Rourke

Ordinary Millionaire Action

This is a simple exercise. Ask yourself the following questions and answers with a simple yes or no:

1. If a disaster happened and your home was destroyed by a flood or fire. Do you have the necessary insurance in place to replace everything you lose? Y N
2. If you had an accident or fell ill and where not able to bring in your usual income for a period, do you have income protection in place? Y N
3. If you were to become incapacitated do you have the paperwork in place that allows the person of your choosing to handle your affairs. Y N
4. If you were to die tomorrow, are your dependants protected? Y N
5. Do you have in place, right now, a will defining how your assets should be managed and what goes to whom? Y N

If you said no to any of these questions. We urge you to talk to a financial advisor to ensure you protect yourself from loss.

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Secret 5: Make of Thy Dwelling a Profitable Investment - Transforming Debt into Wealth

"Running into debt isn't so bad. It's running into creditors that hurts."

– Anon

As mentioned earlier in the book we have been part of many debates on whether it is better to rent or buy a property. Depending on your individual circumstances, your answer could easily differ from ours. However, if we look at the richest people worldwide, more than **half of them owe** their riches to a substantial property portfolio. We know of few people who have built extensive riches and still rent a property!

For most South Africans, buying their own property would be the **biggest purchase** they make in their lifetime. But, as mentioned earlier, it is the opinion of Robert Kiyosaki in his book Rich Dad Poor Dad that your personal property will never be an asset. Bugger! What now? We and many experts agree with Kiyosaki's notion that an asset is something that generates income and a liability is something that costs you money. Consider your house. Most of us will have debt associated with our primary property. In addition, we have to pay property taxes, rates and levies for as long as we live in our house.

We need to consider the substantial **opportunity** that owning a property can give you. A property is one of the few asset classes that you can buy with OPM (Other People's Money). This means that you could apply one of the wonders of the world, namely to leverage your accumulation of assets. However, we have to do it on our terms and not those of the banks which, in all instances, only have their shareholders' stake at heart.

A large part of this chapter is dedicated to helping you **get rid of debt** sooner rather than later. While debt can be a good thing – allowing you to leverage, it is only good on your terms. In other words, you should not repay debt on the banks' terms. Not only do we want to help you repay debt quicker, we want you to use the leverage from this to build your wealth exponentially.

So hear us out.

Regrettably, most South African's will accumulate substantial debt at some point in their adult economic life, whether it is to finance a car, a house or other short-term debt such as credit cards or personal loans. The **downside** is if your debt and the corresponding monthly repayments prohibit you from starting to build your wealth platform.

Currently South Africans spend more than eighty percent of their disposable income on repaying debt. Most people will pay in excess of one million rand towards interest in repaying debt. A meagre home loan of R500 000, paid over a twenty-year period, will attract interest in the region of R700 000, depending on the interest rate.

The first step

As the good witch advised Dorothy when starting her out on the Yellow Brick Road to Oz, "It's always best to start at the beginning". The object of this chapter is first to help you get out of debt, and then to **use your surplus** monthly payments to start the journey to **building your wealth** platform in order to attain financial independence as soon as you can.

Getting rid of debt will give most people the opportunity to start over. Literally, it will offer an opportunity to rebuild your life – to live that elusive life which most people simply 'dream' of and never truly realise. If you look around you, how many of your friends and family can claim that they are living their dream? In most instances this relates partly to what we dealt with earlier in the book – their money psychology, which dictates their happiness or rather unhappiness. The concept of "money won't buy me happiness" might hold some truth, but we rarely meet 'poor' people who are ecstatically happy.

As much as this chapter is dedicated to helping you get out of debt and transform your wealth status, nothing will change if you don't **shift your mindset** away from being in debt to being debt free. Most people will not even engage with the internal debate about getting out of debt – they seem resigned to the fact that it is impossible.

We will show you how becoming debt-free is not just possible, but highly probable if you follow the exact plan that thousands of people before you have used to pull themselves out of the mire.

Make a commitment

So how serious are you about this? Are you **absolutely committed?** Or are you more interested in the concept? Would you at least consider getting out of debt and transforming yourself to wealth? Your intention is critical to your success. Make that decision now! No-one other than yourself can make that decision and stick with it.

Where did you learn about money?

Think about this for a moment – where did you learn about your money management skills?

Our current predicament is not just our **own fault.** Sometimes our teachers were not equipped themselves to teach us the fundamentals of managing our finances. We definitely did not learn about managing our money from our parents, at school or university. In most instances we are not taught the basics of:

1. Budgeting
2. Planning our finances

3. Managing our debt
4. Investments
5. Retirement planning

We have seen many professionals who are brilliant at their job and profession but have never learnt the basics of personal financial management.

You are a millionaire

South Africans operate in a minimum wage environment where the minimum salary for a full-time domestic worker is in the region of R2 500 per month. In a forty-year working life at the minimum salary, they will **earn more** than R1 200 000. Multiply your salary, excluding any future increases, by your term and get an idea of how much you will earn in your career lifespan.

This is scary stuff if you realise that, say you earn R50 000 per month, your earnings would exceed R12 000 000 if you still have twenty years left to work.

The question is simple – **how much of this will you keep** for yourself and invest wisely? If you had to keep going down the road on which you are currently travelling, what would your financial destination look like? Are you on the road to financial wellness and independence, or are you on the road that is well travelled by most people you know – the road to financial destitution?

It's all a matter of how much you keep for yourself and what you do with it!

Why get out of debt?

Maybe you are not yet convinced about climbing out of debt? Or you have questions such as: "Surely you can't expect me not to have any home loan debt? No one can purchase their home cash!" We agree that, for most people, it is impossible to purchase a home without incurring debt. But here is the next question up for consideration. **"Who determined that a home loan should be paid off over twenty years or, even worse, thirty years?"**

We will cover some ways to restructure your current debt position in order to hopefully repay it in the next seven to ten years, thus saving significant amounts of money that you will be able to leverage towards your investments.

Get an idea of the cost of debt

If you buy a home for R1 200 000 and borrow R1 200 000 to finance it (you should always consider a twenty percent deposit!), then you repay at the current prime lending rate of 10.5 percent. This means you will pay a total of R2 866 891 over a twenty-year period. For the privilege of borrowing money from a bank, you will have to pay interest of R1 666 891, more than a hundred and thirty-nine percent increase on the original capital value.

Here is a question that most people never consider. Looking at the figures in the above example, is the interest the total cost on your debt repayment? The answer is unfortunately "No!" Consider the following: "Do you pay your home loan with **pre or post-tax money?**" Of course the answer is "Post-tax money". In this instance you have to work hard enough to earn money, pay tax on it, and only then pay your home loan.

In addition, you have what is called an opportunity cost on your money. Let's explain it like this: if you had the ability to invest 'your' money of R1 666 891 in an investment vehicle at a return rate of eight percent, you would acquire R3 598 693 over a period of ten years. This is the true cost of your decision to borrow money to pay off debt.

"The borrower is slave to the lender."

– Proverbs 22:7

We have been **conditioned** to satisfy our immediate needs by using credit cards, overdrafts, personal loans, store accounts and other forms of credit before we really qualify for these items that we buy so readily on a whim. Consider this truth. By utilising credit or debt, we are exchanging our future income (repayments over a period of time) for immediate satisfaction. By purchasing the latest TV and financing it over three years, you are exchanging the satisfaction of more pixels, a bigger or curved screen for a portion of your salary for the next thirty-six months. By buying a new car over five years, you are exchanging enjoyment of this latest vehicle for a chunk of your salary over the next sixty months.

A new path to independence

The American philosopher Earl Nightingale once said, *"You are who you are and where you are because of what you have put in your mind."* By changing the way you think about your finances and money management habits, you can start changing your life.

The plan

You need a workable new plan. The plan is simply called **'the snowball effect'**. Start small, like a flake of snow. Add another, then another and another – before you know it, the flakes will become a powerful snowball rolling down a steep hill.

In practice, this is how it would work in seven simple steps:

1. Prioritise your debts (using the formula we give here).
2. Make the minimum required monthly payments on all debts, except the highest priority debt.
3. Add the snowball margin to the normal payment on the highest priority debt.

4. Continue this payment each month until that debt has been repaid.

5. Once it is paid off, start with the next highest priority debt.

6. Now you use the snowball margin plus the previous debt's monthly repayment. Add the two together to the next monthly repayment amount.

7. Continue this until the debt has been repaid.

The average South African will be able to repay all their debt in a period of five to seven years. Imagine that – repaying your debt in the next five to seven years!

Calculating your plan and term

To determine your personal plan, you need to follow these simple steps:

1. **Gather information on your outstanding debt**
   Consolidate all the information on your outstanding debts. Write down the name of each debt (1), the total balance (2), and the monthly minimum repayment (3). If you have been paying more on your home loan, stop doing that. Use every extra cent you can spare towards your snowball margin.

2. **Gather optimal repayment sequence of your debt**
   Once you have all the information written down, divide the total balance (2) amounts by their respective monthly payments (3) and write the answer in column 4. For example, say you have a car (2) with a R72 500 balance and a minimum monthly payment of R6 200. You would then divide R72 500 by R6 200 and get an answer of 12. Don't worry about the answer, which doesn't mean anything on its own. This will help you to determine the optimal repayment sequence of your debt.

Do this for every debt that you have.

3 Sequence of priority debt

Once you have done the exercise in Step 2 for all debts, you will have determined the sequence of priority debt (5). Mark the debt with the lowest answer as number 1 priority. And so on.

4 Determine the snowball margin

Determine your snowball margin, which is any money that you can save with a proper budget. Try to save at least ten percent of your monthly net income.

5 Snowball margin

Add your snowball margin in Step 4 to your priority debt number 1. Assume your snowball margin is R1 000 and your credit card is the first priority. You will then add R1 000 to the R390 monthly payment and your new accelerated monthly payment amount will be R1 390 (6), repaying your debt in four months – R5 000 divided by R1 390. This becomes the new time in months to pay back debt (7).

6 Total repayment

Add the total repayment amount to the next highest priority debt. The total monthly payment plus the snowball margin becomes the new accelerated premium.

7 Repay Debt

Continue steps 5 and 6 to determine the total time left to repay debt.

Table 1: Template for The Snowball Effect Plan

Debt	Balance	Instalment	Term	Priority	Accelerated Instalment	Remaining Term
1	2	3	4	5	6	7
Home Loan						
Credit Card (1)						
Credit Card (2)						
Clothing accounts						
Personal loan						
Car (1)						
Car (2)						
TOTAL						

Create your snowball margin

Reaching the point where you have calculated your debt and how to eliminate it will put you in an elite group of people. Well done! You might still have various concerns, such as: "How in the world do you expect me to save enough money to put a snowball margin together?" **Watch and learn.**

A basic step to begin putting your elimination plan to work to create a snowball margin starts with something as simple as just revisiting your budget. Look for spending that could be postponed or eliminated altogether. The minute you start focusing on getting rid of debt in your life, you will become quite sophisticated in finding ways to stop spending.

Any money that can be labelled **non-essential spending,** i.e. on luxuries, could be used to fund your snowball margin. Before you bail out, this does not mean that you will have to stop all your spending on luxury items that you want. This is just a temporary curb on short-term luxuries that have no long-term positive impact. Once you have managed to repay all your debt, you will have **significant cash flow** left to buy these goods cash.

Your aim should be to get an amount equal to ten percent of your income to use as your snowball margin. However, don't let this stop you – any amount will do.

In the chapter about how to generate extra income, any of those amounts could be used to fund your margin requirements.

Consider opportunities to reduce monthly expenses

Draw up a table with two columns and their headings: Current and Reduced. List all your current monthly expenses in the Current column. In the Reduced column, write in the lowest amount you can reasonably spend on each expense item. Total up all reduced amounts at the base of the column.

Table 2: An example of The Snowball Effect Plan

Debt	Balance	Instalment	Term	Priority	Accelerated Instalment	Remaining Term
Home Loan	R1 000 000	R12 653	134	7	R32 943	30
Credit Card (1)	R17 000	R1 275	16	3	R8 825	2
Credit Card (2)	R32 870	R2 465	16	4	R11 290	3
Clothing accounts	R11 220	R850	16	2	R7 550 B	1
Personal loan	R25 530	R700	71	6	R20 290	1
Car (1)	R123 500	R8 300	18	5	R19 590	6
Car (2)	R72 500	R6 200	13	1	R6 700 A	11
TOTAL	**R1 282 620**	**R32 443**	**284**			**54**

A R6 200 + R500 (snowball margin) equals new payment of R6 700

B R850 + R6 700 (snowball margin) equals new payment of R7 550

Once you have finalised payment of the second largest debt, the total snowball margin of B (R7 550) is added to #3 and continued until all debt has been repaid.

Impulse buying

Earlier in the book we mentioned one of our advisors who admitted to doing some 'grudge' emotional purchasing just to feel better when she was in a bad relationship. We are all exposed to some form or another of **'impulse buying'** to soothe our nerves. The good news is that the minute you start with a focused approach towards reducing and eliminating debt from your life, you will be able to identify these bad spending habits.

Just make a decision about what is more important – short-term satisfaction or long-term independence and satisfaction?

Monthly grocery purchases

We are all exposed to literally thousands of marketing messages daily. Most of these are aimed at luring us into the impulse buying mentioned above. Nowhere is this **more prevalent** than when you enter a supermarket for your monthly groceries. From the minute you enter the premises, you will be exposed to marketing impulses that have been well researched to make you buy – not just more, but more of the stuff that you don't need.

How do you change the status quo in your favour?

1. Make a list (and follow your list).
2. If you get discounts, use them.

3. Shop at a store with a 'loyalty card'.
4. Shop at a warehouse for bulk-buy opportunities.
5. Utilise your wellness cards and the discounts you can get on 'healthy foods'.

Specials

If you are able to wait, it is inevitable that specials will crop up throughout the year:

1. Summer sales
2. Winter sales
3. End-of-season sales
4. End-of-range sales.

Start spending cash

Instead of using a credit card or debit card, start using cash. We are more likely not to spend money if we have to pay with cash. The new electronic age has made it too easy to spend money that we do not have.

Consider the impact of the 'cappuccino factor'

David Bach wrote seven New York Times bestseller books, all on ways to manage and handle your money better. In one of his books (a must-read), The Automatic Millionaire, he refers to the **Latte Factor.** This is simply a reference to the small things, such as a 'latte' a day that will add up to significant amounts every month that could be used to fund your snowball margin. Many people enjoy a regular cappuccino, the average cost being R25. If you halved your cappuccino intake and drank coffee at home or work, you would be able to add at least R500 to your snowball margin account. [19]

The numbers add up

In the example in Table 2 above, the couple could pay back all their debt in less than five years (fifty-four months). After repaying debt, they had discretionary money of R32 943 to start investing. Assuming they were forty-five years old with a twenty-year horizon to retirement, the R32 943 invested per month could provide a retirement fund of R19 533 460. This is the power of implementing a proper financial plan.

Ordinary Millionaire Action

What is your debt ratio showing you?

1. Calculate your total expenses regarding debt repayment per month.
   Tip: Mortgage, car loan, credit cards, personal loan and store cards into account

2. Calculate your total income. Tip: Remember to take all your income into account. For example, net salary, rent income, dividend income, interest received, child support ext.

3. Do the maths.

$$\frac{\text{Total Debt} \quad \text{(step 1)}}{\text{Total Income} \quad \text{(step 2)}} \times 100 = \text{your percentage of your income you spend on debt repayment}$$

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Secret 6: Ensure Thee a Future - Leveraging Your Money

"To finish first, you must first finish."
– Warren Buffet

What does Warren Buffet do differently to leverage his money, invest, earn, reinvest and earn even more? The answer is simple – he likes taking **calculated risks.** Calculated risks are risks with some probability attached to them. For example, even if you suffer a loss, there will be a limit to it. Usually this limit is either pre-decided or anticipated.

To return to the question: what does Warren Buffet do differently? The best way to explain Warren and other professionals like him is a lesson we learnt from Tony Robbins and Mark Ford called **'The Three Bucket'** investment approach. The first bucket is your Emergency Bucket, the second is your Growth Bucket, and the third is your Dream Bucket.

1 Your Emergency bucket covers all emergencies

You need to do first things first – build your emergency fund before you begin investing.

We have all experienced emergencies at one time or another, most of them involving money or financing of some sort. The path to prosperity and wealth begins with **preparing for emergencies.** It's definitely not a question of if it will happen, but when it will happen.

If you're the sole breadwinner, then it will be a considerable sum. If you're single and only responsible for yourself, then it will be a smaller amount.

No matter what the amount, there's no need to rush. That's right – there's no need to rush. Your emergency fund is not meant to be available in a short amount of time. So take your time. Just make it automatic, and make it habitual. Just ten percent of your net income every month will do, or a lot more if you can manage.

2 Build your second bucket for Growth

"Capital is that part of wealth which is devoted to obtaining further wealth."

– Andrew Carnegie

Congratulations on filling your Emergency bucket! Now, it's time to build your **investment portfolio,** which is represented by the growth bucket. Wealth isn't created overnight – it takes hard work and planning. The owners of the popular Nando's chicken franchise often say that it "took them sixteen years to become an overnight success!"

There are many different types of investment vehicles that you can choose from with the main asset classes defined as:

1. Cash
2. Fixed Income
3. Property
4. Equity

Deriviting of these would be your own business, investing in gold or jewellery, or investing in commodities, etc.

We will focus on the ones listed above. All of these can be used to start **filling** bucket number two. Remember, this is an ongoing process that will only stop when you have reached financial independence and retirement. If you have secured multiple incomes, these will continue up until the day you die and beyond, leaving a financial legacy for your beneficiaries.

"Failing to plan is planning to fail."

– Unknown

3 Finally, have fun bucket – the Dream bucket

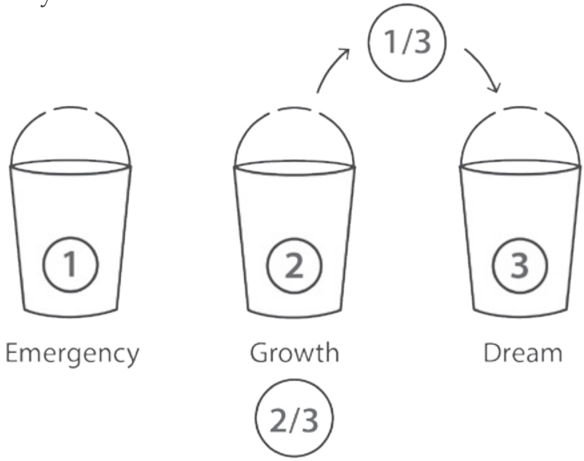
The purpose of the Dream Bucket is to **have fun,** setting aside something for yourself and those you love so that all of you can enjoy life while you're building your wealth. It's meant to excite you, to put some juice in your life so you want to earn and contribute even more. Think of the items you're saving for in your Dream Bucket as strategic splurges.

How do you fill your dream bucket?

1. When your Growth bucket gets a positive growth, you can take one-third of the growth in your Growth bucket and save it into you Dream bucket. For example, if you saved R100 into your Growth bucket with a 10% return you will now have R110. One-third of the growth (R10) is R3.33, this will be allocated to your Dream bucket. Two-thirds is R6.67 and it will be reinvested into your Growth bucket.

2. To really give it a boost you can save a third of your bonuses and increases into your Dream bucket and reinvest two-thirds into your growth bucket. The sole purpose of your dream bucket is to keep you motivated and reward yourself for your hard work.

3. When you filled your Emergency bucket you can transfer the excess to your Dream bucket.



The most important bucket of all - growing your money in your Growth Bucket

Start investing today

Once you've built up your emergency fund, paid off all your bad debts, it's really time to **focus on investing**. If you start working at the age of eighteen and plan to retire at the age of sixty-five, this gives you forty-seven years to plan and prepare for your retirement. Not bad. If you only live to the age of seventy, this means you'll just have five years to worry about and plan for. Sounds straightforward? Absolutely.

But what if you live up to the age of eighty, ninety or a hundred? Then your total retirement years will be fifteen, twenty-five or thirty-five years, respectively. This means you have to **plan and prepare** for how you will support yourself for fifteen, twenty-five or thirty-five years after retirement. Suddenly, it sounds daunting; in fact, overwhelmingly impossible.

It's important to understand that people are living longer and longer as the years go by. You will live longer than your parents.

And your children will live longer than you. Sure, you might not even reach the age of retirement because of the hypertension or heart disease that runs in your family. But what if you do?

Make sure that how you manage your finances today will provide you with very **comfortable** living conditions, or things could become difficult for you in your old age. Your old age is not the time for you to worry about how to pay for your medicines, food and utility bills.

Your retirement years are the time you should spend with your children and grandchildren, without becoming a burden to them.

Investing for your retirement is a mindset. It's a **way of life** that recognises the need to respect money. It's setting aside twenty to thirty percent of your income every month in unit trusts or government bonds, or buying small amounts of equities each month, stocks from blue chip companies, that will still be there after your grandchildren have their own children.

Investing for your retirement is not a get-rich-quick scheme. It is ensuring that you will live comfortably in your old age. It is a constant reminder not to consume all your income every month. It's a **commitment**, a promise you're making to yourself that you will not rely on a measly government pension or burden your children and their families in the future with the additional cost of your expenses. It is a determination that you will live in the most comfortable way possible in your old age.

Build a risk-free growth bucket by focusing on asset allocation

"I think that the first thing you should have is a strategic asset allocation mix that assumes that you don't know what the future is going to hold"

– Ray Dalio

Asset classes is different investment vehicles that show similar characteristics and behave similarly over time in their respective market place in respect of their risk and return behaviour, this is why it is important to understand them. The four main asset classes we highlighted earlier and that you're asset allocation will be made up by, is:

1. Cash
2. Fixed Income
3. Property
4. Equity

Cash

When referring to cash as an asset class it is **more than just** the money in your wallet.

The word 'cash' is a little misleading as, in the investment and finance world, the term generally refers to both cash in hand, available cash in the bank, and also any assets that can be turned into cash in a short time, normally less than one year.

This normally refers to money market instruments such as banker's acceptances, negotiable certificates of deposit and also short-term treasury bills (Government bonds). When you see that a particular investment has a certain allocation to 'cash', this is what is referred to.

Fixed Income

Fixed Income Instruments are debt instruments also referred to as Bonds. When you purchase them, you are essentially **lending money** to corporate companies or governments that issue them to fund their operations or expansion plans. MTN or Eskom would be a good example of this. In return for your investment, you will earn either a fixed or variable rate of return over a specific term, in addition to your return or (interest paid) you will get back your initial investment capital at the end (or maturity date). You can always choose to sell your bond before its maturity if you need to. Bonds often range from one year to as long as 30 years, in some cases even longer!

Property

Property is an asset class that most of us are well familiar with. It is something you have **ownership** or right of. In investing, however, this normally refers to physical property in the form of commercial and/or residential property, which represents a direct investment in property (typically like your residential or investment property), or you can invest indirectly in property, when you invest in a property unit trust or otherwise known PUT. Investing in property is attractive to a lot of investors, because unlike cash, bonds or shares you can see, smell and touch your investment, you may enjoy regular rental income as well as nice capital gain when you eventually sell the property.

Equity

Equity, in its purest sense, is **part ownership** in a business, something the value of which is generally determined by the net asset value or NAV (assets minus the liabilities). In investing, this usually refers to shares or stock that you can own, directly on the stock exchange or indirectly through what is know as a unit trust (where an asset manager decide on your behalf which companies he would want to invest in based on his opinion of good value and quality over time). Historically investments in equity as an asset class has given the best returns over the long term. Warren Buffett, widely known as the smartest investor of the last 50 years has many times said that you should never invest in the stock market for periods less than 5 years, he famously said of equities that *"only buy something that you'd be perfectly happy to hold if the market shut down for 10 years."*

Why is Asset Allocation important?

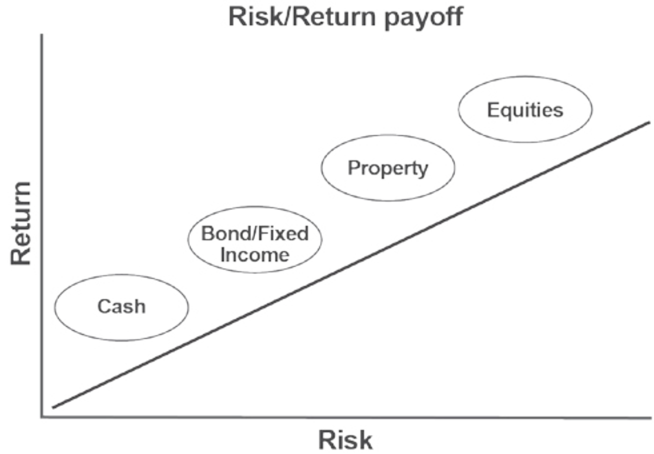
A Discussion about asset classes is important because of what is commonly referred to as the relationship between asset classes in terms of their 'risk and return' profiles.

1. When deciding on an asset class to invest in, **Risk** is a reference basically to the chance that an investment's actual return will differ from the planned or expected return. Risk includes the possibility of losing some or all of your original capital in your investment. In the spectrum of asset classes cash is the least risky, with an investment in equity normally seen as the highest risk. A good portfolio would have a mix of asset classes to spread your risk.

2. **Return** is the potential gain or loss of a particular security over a specific time period. The return will include the income generated from the investment as well as the capital gain or loss realised when the security is sold.

A general rule is that the greater the risk you take, the **greater the potential return** you could enjoy. This is where we introduce the risk – return trade-off. The risk-return tradeoff is the principle that potential return rises with an increase in risk. Low levels of uncertainty or risk are associated with low potential returns, whereas high levels of uncertainty or risk are associated with high potential returns. According to the risk-return tradeoff, invested money can achieve higher profits only if the investor is willing to accept the possibility of losses.

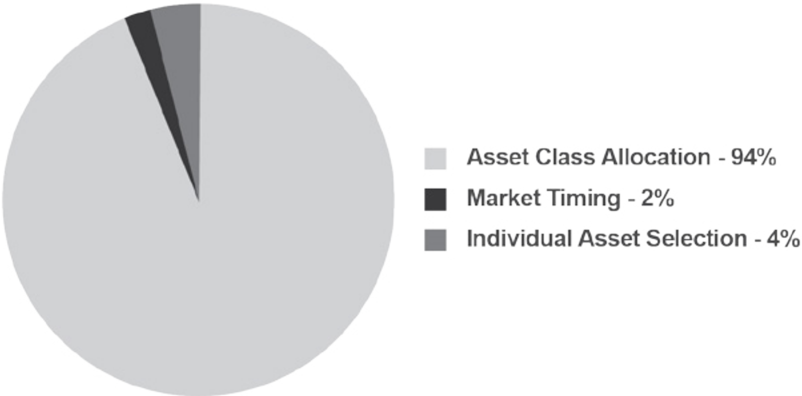
The below graph gives an idea of what a Risk/Return Payoff could be expected to look like:



It is clear that the more risk you take, potentially the more return you should be able to enjoy. Cash, being the least risky asset class is positioned low of the graph whereas property and equity are positioned significantly higher. One should also note that cash, being the least risky, can be invested for shorter periods with a much more predictable outcome than say, equities, that need a minimum of 5 years in the market before you can fairly assess their return and performance.

The last component we will cover in this discussion is **how to decide** how much of which you should have in your investment. The importance of this is simply that having the right asset allocation mix is probably the most vital element that will dictate the performance of your portfolio.

This graph depicts the importance of asset allocation:



Remember: 'Time in the market' is much more important than 'timing the market'. Staying invested in the right asset allocation for the right amount of time is simple, sound investing.

1 Emergency Bucket

Structure: Tax-free Savings Account

Why? The tax-free savings account (TFSA) is a simple and transparent savings solution for a wide variety of savings needs. It is flexible and can be accessed immediately should the need arise. Tax payers are allowed to invest up to R33 000 per year with a limit of R500 000 over your lifetime. In addition, the best part is that it is that all of the growth is tax free!

Interesting stats: Only around 1% of South Africans are invested in tax-free savings accounts with the total sum invested sitting at just over R5 billion. The average tax-free savings account holder invests around R11 000 a year.

Term: Assumed to be less than 3 years

Why? While it's near impossible to gauge how long you'll be invested in your emergency fund before you need access, we prefer to err on the side of caution and plan for a 3-year period. This means that our asset allocation is more conservative and will be heavily weighted towards cash and fixed income.

Asset Allocation: Low equity, high fixed income

Why? Shorter term investments cannot afford to take the volatility that often comes with equities. At a time when you need the money, your portfolio may have dropped significantly, reducing your ability to access a sufficient amount of your funds. We prefer to take this risk of the table.

2 Growth bucket:

Structure: Retirement Annuity, Pension or Provident Fund, Preservation Fund

Why? These retirement vehicles are not taxed within the investment either. So, all of your retirement savings can grow unaffected by tax until you retire. They are also protected from creditors so you know that your money is safe.

Term: Until you retire

Why? That's how these vehicles are designed to work. One should take note that, unless you die, become disabled or emigrate, the money has to stay put until your selected retirement age. It's a way of taking some of the responsibility off of your shoulders and forcing you to stay invested until retirement.

Asset Allocation: 75% in Equities (Assuming that your retirement is longer than 10 years away. If it is 5 years or even 3 years away, we recommend considering one of the other bucket asset allocation strategies)
Why? Retirement vehicles are legislated by something called regulation

28. This regulation prescribes the amount of exposure you can have to certain assets within your portfolio. This was brought in to protect people saving for retirement against volatile markets driven by equity volatility.

3 Dream bucket

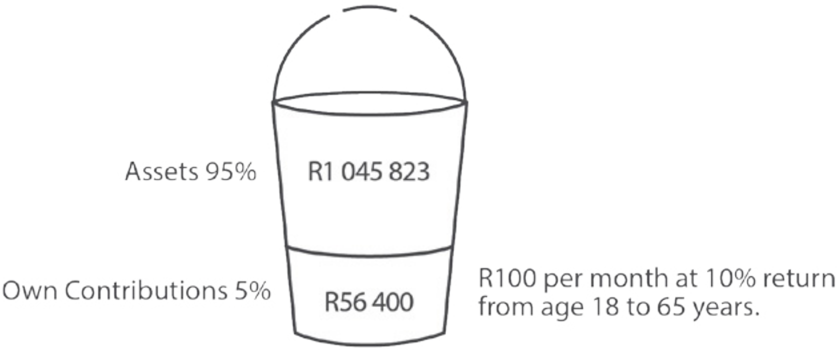
Structure: This depends on the nature of the dream. If it's a relatively short-term dream, say, less than five years, we would recommend a unit trust or flexible investment as this will provide the liquidity you need. If the goal has a longer time horizon, say, 5 years and longer, we would recommend an endowment. Not only will the money be tax free upon withdrawal at the end of 5 years, it will also receive favourable tax treatment creative to that of higher income earners.

Term: That depends on when you want to realise your dream

Asset Allocation: This also depends on the time horizon of your dream. To make things a little easier though, we've provided a guideline on asset allocation based on time frames below. This grid should provide you with a basic guideline of how you should structure your asset mix:

	Time period:			
	5 years & longer	3 - 5 years	1 - 3 years	Less than 1 year
Equity and Property	100%	60% - 75%	20% - 40%	0%
Bonds/Fixed Income	0%	20% - 30%	30% - 60%	10% - 30%
Cash/Money Market	0%	0% - 10%	10% - 20%	60% - 80%

The Power of your invested money



If you were one of the fortunate few who started investing in the first month of your employment journey, you'll be **amazed** at just how powerful that early start can be. Let's say that you found employment at age 18, and diligently started saving R100 per month in a balanced fund that managed to earn you a 10% return each and every year. If you had done that, on the day you retire at age 65, you would be a millionaire!

Your contribution (R100), paid every month (X 12 months), paid every year for 47 years (Age 18 - Age 65), would total R56 400. The interest, believe it or not, would be a whopping R1 045 823 bringing your total investment to R1 102 223 **That means that your contribution would have made up only 5% of your retirement and your assets would have contributed the other 95%!**

Ordinary Millionaire Action

Do you have an emergency fund? How much should be saved in it? In your emergency fund, you need 3 to 6 months' worth of living expenses.

Calculate the amount you need in your emergency fund.
Living expenses x term in months = Emergency fund amount

Living expenses in rand	Term in months	Emergency fund
R	months	R

Notes: ______________________________

Secret 7:
Increase Thy Ability to Earn - To Earn More, Learn More

"You need to genuinely increase your sense of self-worth, and the best way to do that is to increase your value to the world by learning new skills."

– Mike Dillard

Investing in yourself

Investing covers many other topics in addition to the methods explained in the previous sections. **Self-investment** is vital as you begin your wealth journey. The greater the income you can bring in each month or year, the greater the speed of wealth creation, provided your expenses stay low.

We are not talking here about long college and universities courses in order to become a highly qualified professional, such as a lawyer or doctor; instead we are talking about **educating yourself** – deciding what you need to know right now, and going out and researching it.

Long, expensive university degrees that only help you to earn more per hour can be a distraction and diversion from true wealth creation. Learning to **create wealth** without having to continue to spend time on it after the early stages is wise.

If you decide that you want to learn how to balance the books for your new home business, read up around it. Invest the time to find a good website, or buy a highly recommended book, or enrol yourself into a short course. Invest the time to learn what you need to know. You do not need to become a certified accountant, or to take any tests or exams. Just learn, what you need to. A certificate to hang on your wall won't cut it. Doing the books competently so that a certified person can approve them without charging you too many hours is what will save you money.

Once you have mastered this skill, use your spare time to invest in the next thing you need to know. Perhaps you have decided to write a book like this one. If you want to design the cover yourself, you will need to do research on the different programs that you can use – choose one, and learn how to use it. However, you may decide that it is better to leverage your time by paying for a great cover design, while you write the next book. It depends very much on where your basic design skills and talents lie.

Learn first, then make considered decisions

In this section, we have made a variety of suggestions. Hopefully, some of these suggestions will give you a number of ideas to think about. Then it's time to invest some of your wealth-gaining time into **careful research** and to discover what is best for you.

We all are different and we all have different needs at different stages of our lives. You need to be happy with the choices that you make for yourself. If something goes wrong, move on, learn from the experience, and make more money elsewhere to recover. At least you've had the courage and zest to try.

"Inflation is taxation without legislation."

– Milton Friedman

Develop your financial wisdom

Do you find yourself thinking that "Investing is for professionals only", or "Brokers and financial advisers just want to cash in on my hard-earned money", or even "I only finished high school and I'll be poor all my life, just like my parents and my grandparents."

If the answer is yes, stop thinking this way. Press 'Control Alt Delete' to remove this kind of negative thinking permanently from your mind. This kind of thinking is precisely how you got yourself and your family into this difficult financial situation in the first place.

It's time to change your internal dialogue. It's time for a healthier and more accurate mindset.

Investing is **not only** for the elite, or those who possess business degrees, or those who graduated from top universities. Investing is not only for the rich. Investing is for you, your children and your grandchildren. Investing is for everyone.

Admit it, the only reason you refuse to talk about investing or – even less – to think about it, is that right now you know diddly-squat! It's time to change this. Believe it or not, there was a time when you were bold. At that time you learnt and absorbed anything and everything. If children were scared of learning, then nobody would be able to read or write or talk as well as we do today. Be a child. Be open to learning.[20]

Read books

Read books on financial literacy, different types of investments, and how to make more money. Instead of watching another hour of TV, or playing another game on your smart phone, walk or drive over to your nearest school or public library, or browse in the business section of a bookshop.

Everything you need to know about investing, about multiplying your money, about retiring comfortably, has **already been written.** Never skimp on investing in your financial education. Spend the time and money. It will be so worth it.

Attend seminars

When it comes to investing, you have to be sure that the **medium** is right for you and that you know every possible risk. The only way to do this is to congregate and converse with like-minded individuals in order to avoid investment scams and to minimise, if not completely remove, the risk of losing your hard-earned money in the long run. Attend financial literacy seminars to learn about different types of investments.

To illustrate, before we select a new smart phone, we check out all the specifications and features and compare these to other models and brands. We do this to ensure that the smart phone we purchase will be perfect for us and satisfy all our electronic needs.

What more do we need to know or do when it comes to our investments? We have to **do our homework.** We have to check where we want to put our money. We have to check the returns versus the risks involved.

Note that a plethora of investment scams and con artists lurk out there. Make sure you attend legal seminars that are endorsed by people you trust and respect. When something is too good to be true, it almost certainly is. Stay well away from organisations that promise insanely high returns in a short amount of time. Most likely, these are scams and illegal.

Get financial mentors

If you want to double or triple your income in the next five years, or if you want to reach a certain income level of, let's say R100 000, you have to **surround yourself** with people who are already earning this much. If you want to build a successful business, you have to seek guidance from others who have started their own businesses and have thrived.

The world is a free-market system; it dictates how much money you make according to the following three factors:

1. The level of competition.

2. The level of skill or education you require to perform a specific task.

3. The amount of leverage you can apply, i.e. the number of people who will benefit from your skill or expertise.

The simplest example would be to compare a waiter and a brain surgeon on the above factors and see how they measure up. If you are a waiter, you are most probably stuck at the bottom of the food chain – career wise, that is. Let's investigate: you have significant competition due to zero barriers to entry skills and expertise; in addition, at best you are only able to serve a table or two so you will not be able to leverage your skillset.

As a brain surgeon, however, you have **little competition** as a result of the need for high level, unique skills to perform brain surgery. For this reason, you rank at the top of the earners' list. Compare a brain surgeon to a professional golfer who can delight thousands of fans around the world with his ability to leverage his skills, and it is inevitable that the top golfers will outearn even the best brain surgeons!

Depending on what your specific skillset entails, the questions you must ask are:

1. "How do I rise above the competition?"
2. "What additional skills can I acquire and education can I learn that would elevate me?"
3. "How do I apply a factor of leverage to my skillset to reach more people?"

If you want to learn how to invest and make money in the stock market, you have to hang out with people who are doing it already.

You can access financial mentors or coaches in a variety of ways:

1. You can read their books.
2. You can sign up on their website's mailing list.
3. You can search for them in financial literacy seminars and build a relationship with them over time.

The wisdom of these people is **invaluable.** They can provide important lessons to help you avoid making the same mistakes that they did when they were just starting out. Learn all that you can, then apply the lessons to your investments.

Join a mastermind group

In the first decade of the twentieth century, a young journalist was dispatched to conduct an interview with a famous giant of industry, one of the first known dollar billionaires around. Bearing in mind that just one percent of business owners today are millionaires, to be a **billionaire** back in the early 1900s was nothing short of astounding.

Andrew Carnegie was a Scottish steel baron based in the US. He became famous not just for his wealth, but for the fact that in the early 1900's sixty people employed by him were millionaires in their own right. How they had achieved such personal wealth in Carnegie's employ remained something of a 'secret', becoming known as Carnegie's **'Secret'**.

The story goes that the young journalist, a man by the name of Napoleon Hill, was scheduled to meet with Mr Carnegie for an hour. Allegedly, the meeting lasted considerably longer – 'days' according to some sources. At the end of this time, Carnegie gave Hill a mission – to research, under his sponsorship, the **most successful** individuals and the most spectacular failures of the generation, and to document the difference as a testament to what really creates success in life.

Carnegie was apparently **unimpressed** by how poorly formal education equipped young people to successfully navigate the world – sound familiar? He apparently sensed Hill to be the man to have the persistence and determination to bring the Carnegie 'secret' to the world, a 'secret' that had enabled the Scot to dominate the steel industry.

In the interview, Hill asked Carnegie, "To what do you attribute your great success?" Carnegie responded, **"A Master Mind."** Hill later commented: "Carnegie was a man of imagination. He first created a **definite purpose** and then surrounded himself with men who had the training and the vision and the capacity necessary for the transformation of that purpose into reality."

Carnegie is reported to have been part of several Master Minds, full of 'executives' collaborating in a unique alliance to generate wealth and personal success. Given that sixty on his payroll were millionaires, and that Carnegie himself attributed his entire fortune to the 'power' he accumulated through the **'Master Mind Principle',** you'd think that business owners all over the world would be actively participating in a Master Mind today.

Hill's subsequent publication of his years of research into Carnegie's 'secret', **Think and Grow Rich,** is credited to have created more millionaires than any other written media. According to Hill, the likes of Ford, Wrigley, Rockefeller, Edison, Roosevelt and Gillette all generated their wealth through the 'Master Mind Principle'.

Sadly, business owners are not pursuing the Master Mind strategy because:

1. Very few people know what a Master Mind is, and
2. Very few people know how to facilitate one.

Consequently, a 'real' Master Mind based on Carnegie's philosophy is extremely rare.

But what is the crux of the Carnegie 'secret'? Hill explains it using an analogy to batteries. Citing the fact that a group of batteries will always provide **more energy** than a single battery, he also points out that "a single battery will provide energy in proportion to the number and capacity of the cells it contains". He goes on to explain that the mind works in a similar manner. Hill concludes: "*A group of minds coordinated (or connected) in a spirit of harmony will provide more thought-energy than a single mind, just as a group of electric batteries will provide more energy than a single battery."*

Consequently, "*the Master Mind Principle holds the* ***secret of the***

***power** wielded by people who surrounds themselves with the minds of other capable individuals."*

To the average person on the street, the average business owner, the average thinker yielding average results, to those immersed in mass consciousness without even knowing it, the premise of Carnegie's 'secret' may seem peculiar, weird or even 'psycho-babble'. But to those who have experienced the power of a Master Mind, and the long list of those who credit it with generating seven zeros or more in their bank account, it does not seem at all peculiar or weird – and certainly not psycho-babble.

Earn ten times more

If you want to enjoy ten times more wealth than you currently do, then asking yourself "How can I make more money?" is not the right way to go about it. Instead, try to figure out how you can **deliver more value** to people. Brainstorm with your Master Mind – and understand what the biggest challenges and/or fears are that people face in your industry. Come up with ways to serve them with an excess of value.

There is a central tenet to the 'success philosophy' that we have picked up in all the books we have read and all the seminars, webinars and courses that we have attended. It is very simple: *"Money is nothing but the measure of the value you create for other people."* As Brian Tracy puts it, this is the 'Law of Income' – *"You will be paid in direct proportion to the amount of value you deliver according to the marketplace"*.

Your financial success and ability to earn more are directly related to the size of the problem you solve for other people (solve big problems and you'll make big money). You will always be paid in direct proportion to the work you do, how well you do it, and the difficulty of replacing you. Do more than you are paid for.

"There are never traffic jams on the extra mile."

– Brian Tracy

According to Brian Tracy, *"Successful people are always looking for opportunities to help others. Unsuccessful people are always asking, 'What's in it for me?'"* In his course, 'The Strangest Secret', Carl Nightingale states that *"You become rich by enriching others!"* This sentiment is echoed in the words of Zig Ziglar: *"You can get everything in life that you want if you will help enough other people get what they want."* [21]

Be so good they can't ignore you

Cal Newport, a professor at Georgetown, wrote an amazing book titled Be So Good They Can't Ignore You. In it he set out to answer the question, *"Are people successful when they follow their passion?"* Surprisingly, the answer he reached is "No!" Newport found that people become more passionate about their work as they develop valuable skills.

Newport advises people to abandon the passion mindset that asks *"What does this job offer me? Am I happy with this job? Is it giving me everything I want?"* He suggests shifting to a mindset of *"What am I offering the world? How valuable am I? Am I really not that valuable? If I'm not that valuable, then I shouldn't expect things in my working life. How can I get better?"* His advice simply says, ***"Become so good at a valuable skill that the world cannot ignore you. That is how you get ahead in life."***

As you read this and grasp the value of the advice, do the following: find the skills that complement your strengths; improve them and make them an art; showcase them to the world and success will follow.

Blueprint business plan for more income

Mike Dillard, author of Magnetic Sponsoring and creator of the Elevation Group, shared his philosophy on how to build a business from scratch to start generating a surplus income in your life.

First, define the financial goal or destination you want to achieve and the future date, then start working backwards. So, for example, let's say you want to earn an extra R20 000 per month in recurring income twelve to eighteen months from now. Start figuring out how to start a simple, elegant and profitable business this year that can realistically produce at least R240 000 in profit.

Pertinent questions would revolve around what currently **makes you tick,** what you do, and what skillset you have that you can leverage in your new venture. We will use our core business – financial services – as an example. By reading this book you are already part of our business model that should generate additional income for the authors in the next twelve to eighteen months.

Back to the beginning … For the past few years we've been deeply concerned about the moral decay and corruption we see around the world today. Some of the most visible systems of this corruption took to the world stage during the financial collapse of 2008, as countless laws were broken and financial lives devastated. Virtually no one was punished, yet the average individual in America had to bail out the banks with trillions of dollars in taxpayers' money.

Back home in South Africa we now have the highest level of unemployment, with more than 7.5 million people jobless and not earning an income. One of the **only solutions** we have for our economic and social problems is to seriously start **creating new job** opportunities. Therefore, the core purpose of this book – specifically this part – is to begin the discussion and the journey in creating new businesses, which in turn will create new job opportunities.

If you want to solve a problem, you must start rectifying the cause, not the symptom. Be **proactive, not reactive.**

Here's a question for you: What is the only effective way to change the financial destiny of a society and eliminate some of its most burning issues without using force or resorting to more violence? The answer: We must change the values held within our society.

If the different generations in South Africa are never taught the **principles of money** and managing it, or how to create new jobs, or what to do and how to change our economic situation, or the difference between right and wrong, how will we ever get out of our current situation? This is where our journey collides with yours.

The goal of this book, the workbooks, journal, videos and seminars we have created is to provide our generation, and the ones to follow, with access to **mentors**. This is their own Master Mind, which can give them the knowledge, wisdom and leadership they need in order to fulfil their highest potential in every area of their life, starting with business, finance, relationships and health, and ultimately leaving a lasting legacy.

So the book that you are holding is the first step in this business model. If you are reading a hard copy, then the chances are that you received a free copy. Our purpose is not to make money from the actual sales of the book. Rather, our primary purpose is to add significant value to your life by producing great content. However, our noble mission does not replace the requirement for a sound business model.

So here is the plan …

Any profitable business model needs four components:

1. The first is a **large market** of people who you are extremely passionate about helping, and the knowledge and skills to serve them.

2. The second is the ability to provide that audience with free, **high-value content** on a consistent basis in order to build and maintain a relationship.

3. The third is an extremely high-value, **front-end product** that costs less than R1 000. This product is going to be someone's first experience as a customer of your business. It needs to turn them into highly enthusiastic, lifelong fans by exceeding their expectations. You'll know you have succeeded if they ask you why you're not charging ten times more for it. One hundred percent of the revenue generated from the sale of this product

will go back into marketing in order to gain more customers. This is called a 'self-liquidating offer'. The ability to put all of this income back into marketing is what separates those who make money in a business from those who don't. But, if all of that money goes back into marketing, you need at least one more piece to actually make a profit.

4. Finally, you need at least one **high-priced**, back-end product that sells for R2 500 to R25 000. One hundred percent of this income is to be kept as profit.

So, let's take a detailed look at the complete model with its numbers…

1. **The market:** We have chosen economically active people who are interested in personal development and improving every aspect of their life from business to finances, to health, to relationships, to parenting. More specifically, these are people who are serious about changing the financial legacy that they leave behind.

2. **Free high-value content:** The Ordinary Millionaire will provide free content that will allow us to deliver a massive amount of value and build an ongoing relationship with our audience on a regular basis.

3. **Front-end product:** We believe that a large part of our sign-up audience is serious about making lasting changes and becoming financially free by applying the principles within this book. Collectively, we have been in the financial services industry for more than 250 years! In addition, we have built multiple businesses from scratch to businesses with revenue in excess of R200 million.

This skillset, and our ability to teach these principles to others, is the **most valuable** asset we have to offer, which we will do with the launch of 'The Ordinary Millionaire Coaching Platform'.

The Mastermind Group will allow you to participate in a

coaching programme that will be available to anyone and everyone. Members will have access to a brand new private members' website with a community forum. Every month, members will have access to the following:

1. A **monthly webinar** with some of the Mastermind coaches on various topics, such as business builders, investing, tax reduction, asset protection, debt optimisation and income-generation opportunities.
2. A **live cast** event where we will answer questions submitted by members. These could be on any facet of their business, relationships or finances.
3. Access to a **library of training** videos and more than two hundred online e-courses.
4. The most valuable component of all, which is something that has never been done before, is a monthly **look inside** our business as we grow it. We will give you the business plans, the marketing journeys, how we generate clients, the scripts and e-mails – everything to learn about this business and replicate it in any other industry.
5. All of this we will do at an **annual price** of R997 or R97 per month.

That's it. Each membership will automatically renew on a yearly basis for R997, which comes with a **one hundred** percent money-back guarantee if you try the programme for ninety days and don't get any value out of it.

In order to create a metric for the programme, we must be able to meet our goal of offering **ten times** more value than the amount we charge – and you will be the judge of this. So here's how the numbers stack up …

Our goal is to acquire **100 front-end** customers per month at R997. One hundred percent of this income will go back into the marketing budget, so basically we can spend R997 to acquire a new customer (cost-to-acquire). We know that a five percent conversion rate will be possible, which means that we should acquire one new paying customer for every twenty leads generated. R997 divided by twenty leads gives us R50 to spend per lead in order to generate one customer for R997 or less.

Finally, the fourth component to this business model should be an **ultra-high value**, approximately-priced, back-end product for our best customers. The monthly subscription business model is one of the best to use for beginners. It is based on a subscription model where you can use information products that you have created around your passion – the one that we explained in Step 3. We have done a significant amount of research through coaching and mentorship programmes, and by attending events hosted by the world's best marketers on these business models. The likes of Brendon Burchard, Mike Koenigs, Pam Hendrickson, Ed Rush and Jeff Walker have been among our mentors.

So, the last leg of this business model is to launch a **high-level business** coaching module with a detailed, step-by-step programme teaching you how to create your own monthly continuity business around your biggest interest, hobby or passions. The price of this exclusive training programme will depend on the level you choose and will range between R25 000 and R150 000. It will include your own version of our membership site, as well as a copy of all our marketing material. The goal of this programme will be to allow someone to start from nothing, and end up with a fully-functional membership business within sixty days.

So, to generate 100 paying customers per month at a five percent conversion rate, we will need to generate 2 000 leads per month: 2 000 leads x five percent conversion = 100 clients.

We believe that one out of every 100 Mastermind customers will be interested in creating their own membership business: 1 x R25 000 = R25 000 per month income or R300 000 per annum.

In addition, if we generate 100 new clients per month, this means we have 1 200 new clients per year to whom we can market any new products.

To find out more on how to implement a similar model in your business, irrespective of its nature, look out for the launch of the **Ordinary Millionaire Mastermind Group**.

We hope that this book will bring about a glorious revolution in your life!

We know and understand the immediate, real-world consequences of the actions related to your financial decisions. We realise you need reassurance that your sacrifices will result in something positive down the line – and these are reasonable and valid demands.

You now have the responsibility to increase your insight and skill, to develop your mindset from its present state to Ordinary Millionaire status. We suspect that you may still encounter difficulties in implementing most of what you have just learnt, and that is where we come in. It is our responsibility, now that you have made the decision to become financially free, to further share our knowledge and expertise with you, and to help you to incorporate these lessons into your life.

And, of course, it should add something brilliant to the plot too – becoming an Ordinary Millionaire!

Ordinary Millionaire Action

If you are not a big reader start with 10 minutes a day.

Take a look at the list. These books changes lives. Read them and GROW.

1. The Ordinary Millionaire (well done you already started) – W. Snyman
2. The Richest man in Babylon – G. S. Clason
3. Rich Dad Poor Dad – R. Kiyosaki
4. The 4-hour Work Week – T. Ferris
5. 7 Habits of Highly Effective People – Dr. Stephan R. Covey

Notes:

R1500

Redeem your gift voucher now!

To redeem, go to:
www.theordinarymillionaire.co.za/financialplan

Resources

1. T. Harv Eker is an author, businessman and motivational speaker known for his theories on wealth and motivation. He is the author of the book Secrets of the Millionaire Mind published by HarperCollins. His website is www.harveker.com.

2. John Assaraf is a serial entrepreneur, brain researcher and CEO of PraxisNow, a brain-research company that creates some of the most powerful evidence-based brain retraining tools and programs in the world. He is also the author of The Answer. His website is www. johnassaraf.com.

3. Robert T. Kiyosaki is an American investor, entrepreneur, self-help author, motivational speaker, financial literacy activist, financial commentator and radio personality. He is the author of the bestselling Rich Dad Poor Dad. His website is www.richdad.com.

4. George Samuel Clason was born in Louisiana, Missouri in 1874, and died in Napa, California in 1957. During his eighty-two years, he was a soldier, businessman and author of the bestselling The Richest Man in Babylon that was first printed in 1926.

5. Mike Dillard – father, entrepreneur, investor, author and freedom fighter – achieved his first million-dollar success as a 27-year old. He wrote the bestselling Magnetic Sponsoring and is the creator of the Elevation Group, an investment membership site with more than 50 000 members. His website is www.mikedillard.com.

6. Brian Tracy is the most listened to audio author on personal and business success in the world today. His fast-moving talks and seminars on leadership, sales, managerial effectiveness and business strategy are loaded with powerful, proven ideas and strategies that people can apply immediately to get better results in every area. Brian is the author of more than fifty bestselling books. His website is www.briantracy.com.

7. Mike Koenigs is a serial entrepreneur, founder and CEO of Instant Customer and Traffic Geyser. He will assist you to grow your business by simplifying and automating marketing and teaching you 'new media' skills that help you to market and sell better online by elevating your value and brand. Mike is the bestselling author of a number of books, including Publish to Profit. His website is www. mikekoenigs.com.

8. Pam Hendrickson was the Vice-president of Content & Product Development at Robbins Research International Inc. She played a big part in building the company, and in creating products, coaching programmes and live events at a hands-on level. She is now a businesswoman in her own right and partners Mike Koenigs. Her website is www. pamhendrickson.com.

9. Brendon Burchard is the founder of High Performance Academy – the legendary personal development programme for achievers, and Experts Academy – the world's most comprehensive marketing training for authors, speakers, life coaches and online thought leaders. He is the bestselling author of The Millionaire Messenger, among others. His website is www. brendonburchard.com.

10. Wouter Snyman is the CEO and founder of the attooh! Group of Companies and the best- selling author of Would Driving a Porsche Change Your Life? He is passionate about helping entrepreneurs succeed in South Africa. His website is www. woutersnyman.com.

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