

www.EmilyCressey.com

Keep The Change!



**25 Tips That Make "Cents"
For Your Financial Future**

Emily Cressey

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Congratulations! You have in your hands a book of financial strategies that can change your future -- your *results* -- for life!

When I speak to adults about finance and investment strategies, people in the audience always come up to me afterwards and say the same thing: “I wish I had started when I was younger.”

As a young person yourself, *you* have a distinct advantage over people who learn these strategies when they are older. You have the opportunity, while you’re young, to employ these simple strategies to create a lifetime of wealth and abundance for you and your family.

Don’t be fooled by the brevity of these tips. Don’t dismiss pieces of this advice that you may have heard before. This book is based on financial principles which have been around for centuries and they have stood the test of time. Why? Because they work!

This book is like a treasure map. It is up to you to follow the path to the riches that await you.

I hope you choose to undertake this adventure. These strategies have made a world of difference to me and my family. I know they will work for you, too!

Let’s Begin!
- *Emily Cressey*

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***Tip #1: Take Charge of
YOUR Financial Future!***

Look how far you've come! Growing up in America, you have probably learned a number of valuable skills including how to excel in academics, how to manage your health through good diet and exercise, and how to make and keep friends.

Now, as a young adult free to make your own decisions in the "real world," a vast sea of opportunity awaits you. However, hand in hand with that opportunity comes responsibility!

As an adult, you have the opportunity to create the life of your dreams, amass a fortune, choose your own friends and romantic partners, and do what you want with your time. You also have the responsibility to support yourself financially and to be a good citizen. It's your chance to make the world a better place.

Through this book, I want to challenge you to make a deliberate decision to make the most of your life! Taking care of yourself and creating the lifestyle of your dreams involves applying many of the skills you already possess. In addition, you'll need a long-term perspective, patience, and self-discipline to get things off the ground.

Just like you can avoid eating candy all day and you can buckle down and study when a test is around the corner, you can put money aside and learn to invest it... a little money and a little time can add up to millions.

Is it glamorous? No. Building wealth can be quite dull, actually. The good news is that it's simple, and I know you can do it, if you DECIDE to take action today!

If you don't decide to put a financial plan in place as you embark on your adult life, well... I wish you luck. Millions of Americans cannot afford to retire because they did not start on a simple wealth-building program when they were young enough to make it easy.

So, here's the truth about adulthood in black and white. (Don't say nobody ever warned you!). The world doesn't owe you anything. It's not the responsibility of your parents, the government, your employer, your spouse or anyone else to take care of you. It is your responsibility to provide for your own financial future.

With the right attitude, earning money and accumulating wealth can be a rewarding and exhilarating endeavor.

Love it or hate it, financial management is going to be a part of your adult life. You owe it to yourself to get educated, be disciplined, and create the financial success you've dreamed of. If you don't do it, starting now, who do you think will do it for you?

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Tip #2: Take Stock of Your Money Beliefs

Do you like the idea of getting rich? Or do you hate it? Does it seem like too much work? Are you worried that you will turn into a miserly Scrooge?

Believe it or not, your views about money will have a direct impact on whether you are able to successfully earn it, keep it, and put it to work for yourself and your family.

Some people say they don't want to be rich. They worry that having material wealth could make them greedy, selfish or spiritually corrupt.

Challenge yourself by looking at what you could do if you had more time or money to donate to others. Bill Gates and Warren Buffet have given more money to charity than many people earn in their lifetime. They are examples of positive and philanthropically-minded rich folks.

I believe that money doesn't change you, it just allows you the freedom to be, do, and have more of what you'd like in your life.

Some people say money just isn't important to them and

they don't need it to be happy. While that may be true, the reverse – NOT HAVING MONEY – can certainly make you unhappy.

People quote the Bible and say that, "Money is the root of all evil." The real quote is, "The love of money is the root of all evil." It's important not to put money in front of the things that give life real meaning, such as spiritual practices, our relationships, and our integrity.

Money doesn't change you, it just allows you to the freedom to be more of who you already are.

So stop hating, blaming or fearing money. Money is just a tool, a representation of goods and services that it can buy; a tangible result of all that you have provided the world – in terms of your own energy and expertise.

Think of money, and your wealth, as a reflection of the value you are creating in the world and resolve to do good things with it!



Tip #3:
Form Winning Habits

My first real estate mentor once told me one of his personal affirmations: “**Form Good Habits and Become Their Slaves,**” a concept developed by author Og Mandino.

How much of our behavior each day is based on deliberate decision and how much of it is based on habit? Research shows that about 90% of our behavior comes from habits.¹ That includes our morning routine, the way we drive, how long we spend reading email each day, what we eat, and whether we exercise.

Your thoughts, too, can be habitual. That internal dialogue going on inside your head says a lot of the same things day after day.

Throughout your life, you have been doing things by habit.

¹*Managing the Challenges of Change: Look at Habits and Choices, Darden Expert Says* by Anne E. Bromley
<http://www.virginia.edu/uvatoday/newsRelease.php?id=2178>

Now, as a young adult, you are already in the process of creating financial habits every time you receive, spend, or invest money. BEWARE – for better or for worse many of these habits may be with you for the rest of your life!

Take some time to *consciously* evaluate your behavior now and decide whether these habits are going to serve you well for the long term. If you can create habits that allow you to earn more or spend less, you'll have more money on hand to save and invest. Your investments are the assets that will ultimately grant you freedom and wealth.

Making simple changes to small things you do on a regular basis may have a minimal impact on your lifestyle and yet they will have a powerful impact on your future wealth! For Example:

Activity	Annual Cost
Buying one mocha coffee per day	\$1,095
Buying two beers and a \$5 game of pool on the weekends	\$468
Seeing a movie (with popcorn!) each week	\$624
Going shopping at the mall and spending \$50 once a month	\$600
Losing \$20 on a poker game twice a month	\$480
Total Annual Expenditure	\$3,267

Compare this to some less expensive alternatives:

Activity	Annual Cost
Making coffee at home every morning (\$0.50/cup)	\$182
Playing video games and drinking Coke once a week (\$50 for two games/year and \$2 in soft drinks/week)	\$204
Renting a video and making popcorn at home once a week	\$312
Go to a museum, zoo or park once a month (\$10/month)	\$120
Playing a fun board game	FREE
Total Annual Expenditure	\$818

In this example, if you adjusted your recreational habits, you could save \$2,449 per year. As you will see later, that's more than enough to create a million-dollar savings and investment program.

When it comes to creating habits, small changes add up! Habits are powerful. Create them carefully!

More great places to find savings:

- Reduce your monthly cell phone plan
- Buy college textbooks in advance/used/online
- Listen to the radio instead of iTunes or CD's
- Cut back your cable bill by changing from premium to basic.
- Check out the library for free books, DVD's and CD's
- Make more meals at home instead of going out

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Tip #4:
Are You Average?

When I talk about making money and being financially successful, some people tell me that they don't want to be "rich" they just want to be average.

If that's you, I think it's important for you to understand what average really is in this country. Below are some interesting statistics about wealth in America, gleaned from the 2004 Federal Reserve Board Study² on the topic.

Maybe you will find that average is quite alright with you, but it's important to know what you're getting yourself into!

INCOME

The median household income across the country is \$43,800. For young people (where the head of the family is under 35) the median family income is only \$32,900.

² Statistics taken from the Federal Reserve Board 2004
Survey of Consumer Finances
<http://www.federalreserve.gov/pubs/oss/oss2/2004/scf2004home.html>

However, if you're in college or have recently graduated, you're doing something great for your chances of earning an above-average income! The median income for a family headed by a college graduate is \$73,000.

SAVINGS

When it comes to savings, only a little over half (56.1%) of the families in America are saving money. However, 68.3% of families headed by college grads are saving – another indicator that college will be good for your financial future.

When asked what they were saving for, families who were actually saving indicated these as their most important savings goals:

% of families who had “this” as their most important goal:

Education: 11.6%
Retirement: 34.7%
Liquidity: 30.0%
Investments: 1.5%

NET WORTH

When we look at families who have been building their assets and paying off debts over time, we see that some of them have started to amass a significant net worth, although less than 10% of families in this country are millionaires.

Let's look at the percentile breakdown of net worth for

was held in non-financial assets such as a personal residence or vehicles.

Let's look at the distribution of financial assets for all families:

- Transaction Account (checking, savings, money market, etc.) – 13.2%
- Certificate of Deposit (CD's) – 3.7%
- Savings Bonds - 0.5%
- Bonds – 5.3%
- Stocks – 17.6%
- Pooled Investment Funds – 14.7%
- Retirement Accounts – 32.0%
- Cash Value Life Insurance – 3.0%
- Other Managed Assets – 8.0%
- Other – 2.1%

Total – 100%

In terms of investments, it seems that retirement funds, stocks, and pooled investment funds (Examples of pooled investment funds: stock mutual funds, REIT's, or hedge funds) make up the majority of the financial assets.

When it comes to non-financial assets you can see from the distribution below that the majority of wealth is held in real estate, including personal residences, other residential property, and non-residential property.

- Vehicles – 5.1%
- Primary Family Residence – 50.3%

- Other Residential Property – 9.9%
- Equity in Non-Residential Property – 7.3%
- Business Equity – 25.9%
- Other – 1.5%

Total – 100%

Behind real estate, the majority of wealth is held in Business Equity. It is interesting to note that although many Americans own cars, they do not represent a significant source of wealth for the average American.

DEBT

Debt is money we owe to other people. Debt can be destructive to our financial future if it comes with a high interest rate. However, debt can also be used wisely to help us acquire appreciating assets, like real estate, or to finance an education that will increase our earning power.

Let's look at how the median American is using consumer debt:

Consumer Debt:

- 46.2% of families carry credit card balances
- 46.0% of families have installment loans
 - 55% of these are car loans
 - 26% are educational loans

CONCLUSIONS

Although we can't talk to people and hear individual stories through these pages of statistics, we can get a general sense of how Americans are doing economically.

Overall we can see that families headed by one or more college graduates do significantly better financially than the average American family. They earn a healthy income, \$73,000 on average, and more than 2/3 of them have a savings program.

Those who have assets hold the majority in stocks/mutual funds/retirement funds, real estate, and businesses. However, we are not, on average, a nation of millionaires. If amassing a \$1 million dollar net worth is one of your goals, you will need to do better than the top 10% of American families.

Take courage, though. You can build a million dollar net worth in your lifetime by following the savings and investment tips laid out in this book.

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Tip # 5:
Live Within Your Means

“The art of living easily as to money, is to pitch your scale of living one degree below your means.” – Sir Henry Taylor.

What does it mean to live within your means? This is a lesson that many of our grandparents and great-grandparents learned in the Great Depression of the 1930’s. It means SPENDING less than you EARN.

However, many of us living in a world of abundance and easy credit have fallen into the habit of living high on the hog and borrowing money in order to pay for our lifestyles. When we borrow in order to consume, we are stealing from our future; we are decreasing our ability to afford a better lifestyle as the years go by.

As a group, we borrow to buy cars, to buy a college education, to buy clothes, and even go to buy coffee and alcohol! “Charge it!” seems to be the national motto.

Take a look at your credit card bill. If you carry a balance month after month, you’re living beyond your means. Consider increasing your income or decreasing your expenditures so you can start living on what you make.

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***Tip #6: Plan to Enhance
Your Standard of Living***

Have a goal to always be improving your lifestyle throughout your lifetime, but start out prudently and don't advance too quickly.

Let's think about it. When you are the age Grandma is now, do you want to be eating dog food and be financially dependent a defunct social security system, or do you want to be retired, or semi-retired, making more money than you ever have, traveling with your family, and pursuing your passions?

When I ask this question, most people say – “Keep the Kibbles and Bits away from me,” but then they add, “But I don't want to wait til I'm old to enjoy my life! I want to have fun while I'm young and healthy.” That's a valid concern!

I am not asking you to slave in the salt mines for 45 years, only to be rescued by retirement from the living hell that is your life! A life of austerity isn't anybody's goal for you!

The important thing to recognize is that we all want to increase our standard of living! The key is to do it in a smart and effective manner.

Your mission, should you choose to accept it, is to continuously upgrade your standard of living throughout your life, but never at the expense of sacrificing your future fortune or lifestyle.

Personally, as a recovering save-aholic, it is a challenge for me to advise you to save a little and spend a little. My gut instinct has always been save a LOT, and spend NOTHING. My reasoning is that since TIME is so valuable when it comes to compounding interest, you should just do everything you can to scrimp and save a little extra in your early years.

So, if you want to err on the side of building extra wealth, reduce your spending habits for the first 5-10 years you're earning money. If you have no kids and no spouse, your life will never be less expensive! This extra saving and investing will come back to reward you many times over.

This would be a great time for you to look at your finances and your standard of living to determine whether you are in balance. Can you afford to increase your standard of living, or are you overspending or under-earning and in need of a lifestyle reduction while you get back on track?

Let's look at some risky ways to increase your standard of living, and compare that to our checklist that tells you you're on the right track and can afford to splurge!

Dangerous Way to Enhance Your Standard of Living:

- Using consumer credit to finance a lifestyle you can't afford. (Credit cards, car loans, etc.)
- Looking to material things to make you happy in life.
- Creating a high-cost fixed-expense lifestyle that keeps you on the earning treadmill. Do you have costly fixed payments each month that take up more than 50% of your income? (Examples: house payments, car payments, club payments, and cable TV)
- Spending your bonuses and other "found money" (inheritances, tax refunds) on "fun" items only, such as vacations, jet-ski's, all-terrain vehicles, big screen TV's, etc.

A Safe Way to Enhance Your Standard of Living:

When you earn more, save more! Once you meet these minimum requirements, go hog wild with the rest of your money.

- Your credit cards are paid off
- You have no more than 1 car being financed at a time.
- You are saving and investing 20% of your income
- You are maxing out your retirement funds: 401(k), Roth IRA, etc.
- You have an emergency cash reserve of 6 months' income

- You've instituted a savings program for big-ticket purchases, such as your next car, a house, your or your kids' college education, etc.
- You have an investment program in place and your portfolio is averaging a 10% return (or greater) over the last 5 years.
- You are spending the time and money you feel is right supporting the charitable causes of your choice.

If all the above *are not* true – be careful – consider investing any raises, or bonuses in something that will enhance your financial future, rather than gratify you in the present.

If all of the above *are* true – put 20% of your extra income into savings and then go and have a good time with the rest!

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***Tip #7: Keep at Least
10% of What you Make***

Whether you currently have plenty of money, or you feel like you're barely scraping by, start a savings habit, and start it today! The single most important factor in accumulating a fortune is time. Put time on your side and use your youth to begin a saving and investing.

In surveys of older people, many wish that they had started saving sooner, or hadn't stopped saving when they went through hard times financially – such as when they were in school, just married, buying a house or car, or having kids! These hard times are also known as “life” and they happen to everyone! Create a savings program that will endure in good times and bad. Be prepared to save throughout the tough periods of your life.

To make things easy on yourself, automate your savings program. Have your bank automatically transfer 10% of your monthly income into a savings account. If you set aside 10% of your income to invest, you should have enough to retire on. If you want to be really RICH or you want things to happen FASTER, set aside 15%-20% of your income. Some of the young millionaires I know set aside up to 50% of their income for saving and investing.

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Tip #8: Create a Budget and Stick To It

Budget – When most people hear the word “budget” they moan and groan like it’s a 4-letter swear word. True, budgets can be a pain. However, if you want to have CONTROL over your economic resources, it’s important to have a plan. Budgeting doesn’t just mean tightening your belt, it can also mean having a plan to amass cash for the things you’d like to buy.

Plan ahead to decide how much of your income you want to designate towards savings and investments; big ticket purchases like a car, house, or education; and gifts for yourself or others... that guitar you’ve had your eye on is going to cost some money!

When you are establishing your budget, you don’t have to manage every little penny. But you will have a sense of control and accomplishment if you have a plan and you’re sticking to it. If you know you’ve set aside \$100/month for fun with your friends, you won’t have to worry whether the money you’re about to spend on margaritas should have been earmarked for your text books!

See my website – www.EmilyCressey.com/25tips for sample budgets and free budgeting software.

Tip #9: Track Your Income and Expenses

What you track tends to improve. Whether it's a diet, an exercise plan, or your financial life, simply tracking your activities – without intentionally incorporating any other strategy – can have a positive impact on your results!

Start by tracking your expenses for one week.

- a) Each time you buy something (whether with cash, credit cards, a check, or online) get a receipt.
- b) Create a spreadsheet that has a general list of the types of things you want to track. (Food, Clothes, Books/Office Supplies, Gas, Rent, etc.) You can download one for free on my website: www.EmilyCressey.com/25tips
- c) Each day, enter the amount you spent (based on looking at your receipts) into the different categories. (It will help if you set aside a specific time to do this each day – right before you brush your teeth, or while you're watching Seinfeld reruns, perhaps.)

- d) At the end of the week, total up everything and multiply it out to get a sense for how much you spend over the course of a month, and a year.
- e) After you've done one week of tracking, create (or modify) a budget (see Tip #8) and continue tracking for a second week. See how things change over time, and whether you are over or under budget consistently in certain categories.
- f) Remember: Some expenses are paid infrequently – like rent, car insurance, tuition for school, and so forth. Try to break these down into weekly or monthly costs so you can incorporate them into your budget.

The longer you do this, the more helpful it will become. You will begin to develop a strong sense for your cost of living at your current lifestyle. This information will help you gain a better understanding of how much you need to earn to support your desired lifestyle and savings goals.

Also, remember to compare your *budgeted* expenditures to your *actual* expenditures. If you are having trouble sticking to your budget, your tracking worksheet will let you know. Then you can decide if you need to reduce your spending, change the amount budgeted for different categories, or increase your income!

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Tip # 10: Pay Down Credit Card Debt

Let's say you're on the bus riding to work and the guy next to you gives you a hot stock tip: GreenMountain, a new environmentally-friendly construction company, is set to jump in price! He says it should go up 20% a year for the next few years, guaranteed.

Now ask yourself, would you take that tip?

I hope not! Never act on a hot stock tip, especially from someone as unreliable a friend as a fellow bus-rider.... If he's so good at stock picking – why is he taking the bus? I know, I know, he's saving the environment and watching his budget...

However, even though I don't recommend acting on random "hot tips," I do recommend that you act if you discover a way you *could* get a GUARANTEED 20% return (or more!) on your investment dollars. If I could find you an opportunity like that, would you take it?

I hope so... that's a great rate of return.

Unfortunately, if you're carrying a credit card balance – it's the credit card company that may be making that great

order to do it. Here's your next step: Ignore how you feel and start paying off those darn cards! There's no better time!

Step 1) Call your credit card company and ask if they will lower the interest rate on your outstanding balance. Tell them you are trying to pay off the card, and you are considering doing a balance transfer to a lower interest card to get the balance paid off. Often they will lower your interest rate by several percentage points – all you have to do is ask nicely.

Step 2) Set aside 10% of your income and designate it as going toward paying off your credit card bills. This should be in addition to what you are already paying on the account's monthly minimum payment.

Step 3) If you have more than one credit card account open, pay off the balance on the highest-interest account first. Once that card is paid off, take all of the money you were putting toward the first card and start putting it toward paying down the second credit card! This technique called the “debt snowball” will help you pay off your debt faster and faster.

When your bills are paid, consider committing the money you were spending on credit card debt to a savings or investment program.

Remember to be patient! Over time you will get your bills paid off. And stop digging that hole you're in any deeper. Change your spending habits to maintain results!

those high interest rates that come from carrying a balance on your credit cards!)

- e) Do not use a credit card to get a cash advance. Do not use the paper “convenience checks” that they sometimes send you in the mail. The finance charges on these funds are extremely high – higher than your normal interest rate.

If you do have a late fee once in a while, or another fee that is unfair or questionable, call up the credit card company to complain. If you are a good customer, they will often remove the charge for you. Voila! You just saved \$30 – now put it in your savings account!

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Tip # 12: Create an Emergency Reserve Fund

Oh No – Not again! Your car broke down. You ripped your favorite suit on your way to the interview. Your roommate was late with the rent, and now your boss is talking about lay-offs.

Emergencies such as these are never any fun, but the truth is they're not all that uncommon. Life will throw you curveballs, but if you're ready to handle them, you should be able to make contact and come out ahead.

What would you do in the case of one of the situations above?

If your answer is "solve the problem with a credit card" then I hate to tell you, you're too low on cash. (You probably already knew that! That's why you're reading this book!)

It's time to start an Emergency Reserve Fund. This is going to be a place you can access your money easily when you need it and where your funds are earning a bit of interest. Consider keeping these funds in a savings account or money market account at your bank.

Note: Your Emergency Reserve Funds should not be kept in your checking account. This is a separate savings account to only be used for problems and unforeseen expenses.

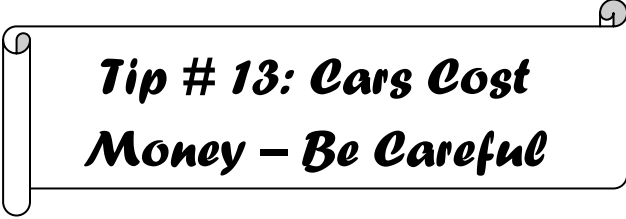
If you keep 3 months worth of income in this separate account, you should have plenty of cash on hand should you lose your job, get sick, or otherwise have a disruption of income, or significant unforeseen expense.

Now, if you have money invested in assets like stocks, bonds or mutual funds, these aren't your Emergency Reserve Fund, either. Since the investment markets go up and down, if you were forced to sell these assets unexpectedly, when the market had dipped, you might have to take a loss.

When disaster strikes, you don't want to be forced to choose between two poor alternatives – selling investments at a loss or using expensive credit cards. Having your Emergency Reserve Fund ready will make sure you have a third choice: paying for the problem directly with money from your savings.

Personally, I keep 1-2 months of income in my checking account and 3-4 months of income in my money market account to handle the vagaries of my cash needs.

Life is pitching you new challenges all the time. Occasionally you'll get the hard-to-hit curve ball. If you plan for these unexpected and infrequent expenses, you'll take them in stride when (not IF) they occur!

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***Tip # 13: Cars Cost
Money – Be Careful***

Have you ever had the experience of buying a new or used car? It can be exciting to think about cruising around in your new vehicle, but after awhile your commute will cease to be exciting and you'll be more worried about getting there safely than listening to the engine purr. Buy yourself something functional; fancy cars are not a good place to splurge when you're young.

As a young wealth-builder, it's important to remember that paying a premium for a car means having less cash available to sock away into your savings and investment program! Also, think used! New cars go down in value quickly, so your best value may be in something that is gently used.

If you are in the market for a car, consider a 2-year-old used car. It will have already passed the biggest period of depreciation, and it will still be relatively new. You can sell it again before it's five years old for close to what you bought it for. Alternatively, you can continue to drive it and plan on owning it awhile longer. In my family, we usually drive a car for about 10 years before maintenance and increasing repair needs start to make it unreliable. Take care of your car and it will take care of you.

TIPS FOR CAR OWNERS

- 1) Shop around for car insurance and make sure you are getting a competitive rate. Often you can get a multi-policy discount if your family has other insurance policies through the same carrier.
- 2) On your car insurance, get as high a deductible as you can afford. You don't want a low deductible because it's not a good idea to make small claims to your insurance company. You would probably be better off NOT claiming \$500 in damage because that will drive up the cost of your insurance premiums.
- 3) Consider paying cash for your car. Often you can get a rebate from the manufacturer or negotiate a better deal if you are paying with cash upfront. (This may include cash you get from a car loan through your local bank.)
- 4) If you are getting a car loan, shop the loan at your bank to see if they will give you a better deal than the finance company on the car lot. Car salesmen often make a large profit on getting you into a more expensive dealership-sponsored car loan.
- 5) Finance your car for no more than a 3-5 year period. If you can't afford the payments, you are buying too much car.

- 6) Once you have paid off your car loan, keep making the payment – this time deposit the cash to a savings account that you control. Five years later, when you're ready to buy your next car, you will have saved the cash to buy it outright, if you so choose.
- 7) If you are buying a new car (not recommended) email 15-20 car dealerships in the area and ask them for a price quote on the type of car you are looking for. If you can be flexible on color, options, or delivery time, you will often get a much better deal.
- 8) Peruse *Consumer Reports*, Edmunds.com or other independent reviews to find out what types of cars perform well over time. These reports cover maintenance issues, recalls, and resale value.
- 9) Other Expenses. Also consider gas mileage and insurance cost in deciding the type of car you want. Insurance is often higher for models of cars that are frequently stolen.

Do your homework and buy smart. A car is a major purchase and you want to be sure you'll be satisfied with the vehicle you choose for years to come.

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Tip # 14: Maximize Your Earning Power

If you want to get ahead in life, it's important that you learn how to earn money. Earning power isn't everything, but all else being equal (*ceteris paribus* as my Economics professors used to say) a doctor making \$125,000 a year is going to have a better shot of doing well financially than an elementary school teacher making \$40,000 a year.

If you want to set yourself up for a healthy financial future, start earning more now! If you are doing one of those demeaning \$6/hour jobs, seriously consider getting a better paying job. If you are not doing any jobs right now, consider getting a minimum wage job. Many colleges offer jobs in which you can sit in the computer lab and do your homework while you wait for someone to spill Coke on one of the keyboards so you can yell at him.

If you are more entrepreneurially inclined, consider setting up a business. I have an online business where I write articles for a website. It makes hundreds of dollars per month with very little time invested each week now that it's up and running. (Visit my website, www.EmilyCressey.com/25tips/ for a case study on how this works).

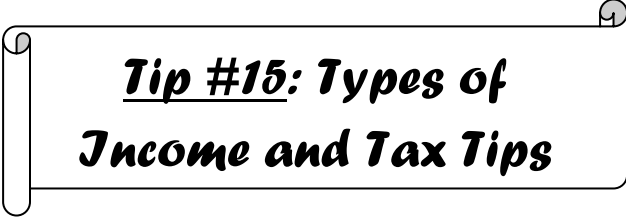
Here's another idea: I spoke with one of my tenants this morning who recently set up a pressure-washing business. He earns \$225 for pressure washing each parking lot of a well-known coffee vendor. It takes him about 3-4 hours to complete each parking lot, and he does them once a month. He currently has a contract to perform this service at 17 locations. That's a nice start-up business!

Also, look for odd jobs or freelance work. You can check out Craigslist.org or Elance.com to put your skills to work. There are many great short-term opportunities writing papers, designing websites, helping people move their furniture, or teaching guitar lessons. There are lots of ways to make money.

Make TIME FOR EARNING an important part of your weekly schedule. If you don't need the money, put it away in savings. A few thousand a year socked away now, will probably do a lot more for your future than getting to the next level on your favorite video game or catching up on all the back episodes of *LOST*...

Also, consider your career – are you going into a line of work with strong earning potential? If not... ask yourself what else you could do with your interests and skills that would pay you better.

Earning money can be very rewarding. The key is to start doing it regularly, whether it's through a job, through a business or website, or through investment activities.

A decorative banner with a scroll-like border containing the title "Tip #15: Types of Income and Tax Tips" in a bold, italicized serif font.

Tip #15: Types of Income and Tax Tips

What's the biggest expense you have? If you're like most Americans, it's not your rent, your mortgage or your car payment – it's your taxes.

The next time you get a paycheck, take a look at the amount being withheld for taxes and see how much you're paying Uncle Sam. As if that wasn't enough, you also pay state taxes, sales taxes, gas taxes, property taxes, even "sin taxes" when you buy things like alcohol or cigarettes. (By the way, if you're ready to quit smoking, think of all the money you would save if you didn't have to buy cigarettes!)

Finding ways to legally pay less in taxes is something that the wealthy pay a lot of attention to. How can you do the same?

- 1) Recognize that Earned Income (wages reported on a W-2 or W-4 Form) carries the highest tax rate of all income types. If you make money on a job, instead of through a business or investments, you'll pay more in taxes.
- 2) Create a business. See if you can work for your employer as an independent contractor rather

Tip #16: The Miracle of Compound Interest

“The most powerful force in the universe is compound interest.” – *Albert Einstein*

Ahh, compounding interest – it’s like money from heaven that comes while you sleep!

You probably learned how to compute compound interest in 8th grade math class. It’s a simple concept from a computational perspective, but it is extremely powerful when applied to your own personal finances!

Here’s the basic review – you are being paid a certain rate of return (a percentage of your money) each year that you keep your principal invested.

For example – if you put \$100 in a savings account with a 5% interest rate, you would earn \$5 in interest the first year. If you reinvested the interest income in the same account, you’d earn \$5.25 the second year.

Example - \$100 Principal invested at 5% for five years:

Year 1: \$100 + \$5 earned in interest

Year 2: \$105 + \$5.25 earned in interest

Year 3: \$110.25 + \$5.51 earned in interest
Year 4: \$115.76 + \$5.79 earned in interest
Year 5: \$121.55 + \$6.08 earned in interest

You can see that after five years you have made an additional \$21.55 with no additional work on your part.

Now, \$21.55 might not seem significant to you at this point – “What’s the use of an extra \$20?” you say. “I can make that working an hour or two at my job – it won’t take me five years!”

The answer to why it is significant is several fold:

PASSIVE INCOME

Making this extra money did not actually require any extra time or effort on your part. There will come a point at which you can’t or don’t want to put in extra hours working. When your investments are earning enough money to be able to support you (without needing a lot of your time to stay productive) you will be financially free and able to retire, whether you are 25, 45, or 65.

THE IMPORTANCE OF TIME

The effect of compounding interest is even more powerful when you give it longer to work. After a few years, instead of making \$6 a year on your investment, you’ll be making more than \$20 per year. If you add an additional \$100 of principal each year to the investment account for 40 years (\$4,000 total cash investment) and compound daily, you’ll have \$13,523 in that account by the time you retire - more than 3 times your cash investment!.

RATE OF RETURN

If we look at this example and change the rate of return from what you'd make in a savings account (5%) to what you'd make in a mutual fund (10%), things get even better! If you invested \$100/year at a 10% for 40 years, you'd have \$53,764. More than 3 times the amount you accumulated at the lower 5% interest rate.

So – what does this mean for you?

As a young person – you have access to TIME (the rest of your life) and you have access to a high rate of return by investing for growth in real estate or stocks.

The only thing you may be short on is CASH to use as your starting principal. But even if you don't have a lot of cash, by starting to invest now, and making use of TIME and RATE OF RETURN, you can amass a fortune in your lifetime.

Let's take a look at this table in which two young investors start putting away some money for retirement.

The first investor, Annie, puts away \$2,000/year starting when she is 20. She does this for just 6 years, then stops contributing and let her funds grow through price appreciation alone. (They're invested at 11%).

The second investor, Billy, starts investing \$2,000 a year when he is 30 years old. He does this for the rest of his life until reaching retirement age at 65.

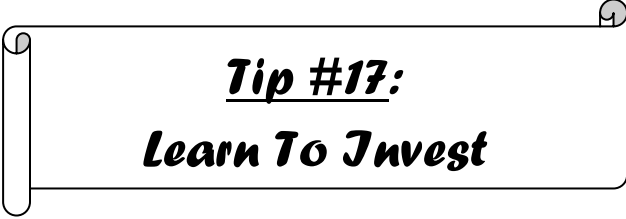
Table 16.1: Account Balances for two investors in which funds are compounding at 11%.

Age	Annie's Principal Contrib.	Annie's Fund Value	Billy's Principal Contrib.	Billy's Fund Value
20	2,000	2,000	0	0
21	2,000	4,231	0	0
22	2,000	6,721	0	0
23	2,000	9,499	0	0
24	2,000	12,598	0	0
25	2,000	16,056	0	0
26	0	17,914	0	0
27	0	19,987	0	0
28	0	22,300	0	0
29	0	24,880	0	0
30	0	27,759	2,000	2,000
31	0	30,972	2,000	4,231
32	0	34,556	2,000	6,721
33	0	38,554	2,000	9,499
34	0	43,016	2,000	12,598
35	0	47,993	2,000	16,056
36	0	53,547	2,000	19,914
37	0	59,744	2,000	24,218
38	0	66,657	2,000	29,021
39	0	74,371	2,000	34,379
40	0	82,977	2,000	40,357
41	0	92,579	2,000	47,027
42	0	103,292	2,000	54,469
43	0	115,244	2,000	62,773
44	0	128,580	2,000	72,036
45	0	143,460	2,000	82,372

46	0	160,060	2,000	93,904
47	0	178,583	2,000	106,771
48	0	199,248	2,000	121,126
49	0	222,305	2,000	137,143
50	0	248,029	2,000	155,013
51	0	276,731	2,000	174,951
52	0	308,754	2,000	197,196
53	0	344,483	2,000	222,015
54	0	384,346	2,000	249,707
55	0	428,822	2,000	280,603
56	0	478,445	2,000	315,074
57	0	533,810	2,000	353,533
58	0	595,582	2,000	396,444
59	0	664,502	2,000	444,320
60	0	741,397	2,000	497,736
61	0	827,191	2,000	557,334
62	0	922,912	2,000	623,828
63	0	1,029,711	2,000	698,016
64	0	1,148,867	2,000	780,790
65	0	1,281,813	2,000	873,142

Over his lifetime, Billy’s fund balance never catches up to Annie’s fund, even though he’s invested \$72,000 and she’s invested \$12,000. The difference? TIME!

The biggest thing you can do to make your investing program successful? Start early and be patient. It’s not a get rich quick program, but it does have a STRONG likelihood of success. If you want a safe, well-trod path to financial well-being, *this* is the best route to take. I have heard only one regret from people who have pursued this course – “I wish I had started when I was younger!”



Tip #17:
Learn To Invest

When you save \$100 what do you do with it? In the old days – before banks were convenient and deposits were insured by the government, people used to hide their money in their houses – money under the mattress, in the cookie jar or even buried in the back yard wasn't uncommon. In many countries with unstable governments, these practices still persist today.

However, in America we are blessed with a strong and stable economy. To make the most of it, learn to invest wisely!

There are many types of common investment vehicles, including stocks (ownership shares of publicly-traded companies), bonds (loans to companies or governments), and real estate (real estate investment trusts, rental houses, apartment buildings, office space, etc.).

The key with investing is finding a place to put your money where you can keep it invested and growing over a number of years. Investing for the long term is a simple and proven strategy.

When you put money into a long-term investment, you should plan on having it stay there for five years or more. If you know you will need the money before that time, consider investing it somewhere where it will have less chance of going up and down in value and where it is liquid and can easily be turned into cash.

Good places to keep large amounts of money for the short term are savings accounts, money market funds, certificates of deposit at the bank, or short-term bond funds. Your rate of return will not be as high when you invest elsewhere, but your portfolio won't have as much volatility either. (Volatility means the value of the investment goes up and down over time, like a stock that is worth \$50 one day and \$40 the next.)

The downside of these short term savings accounts is that your rate of return will be much lower in cases, compared to your return when you invest money in a long-term investment asset like stock mutual funds or real estate.

After you've funded your Emergency Reserve account, and set aside money for your short term savings goals (car, house, etc.), set aside money from your earnings each month specifically for investing. Ideally this should be the entire 10% of your income that you are saving each month.

Two things to remember about investing are to invest for the long term and to educate yourself before you invest. Don't speculate buying individual stocks in the stock market. If you're new to investing, put your funds in a

low-cost, no-load mutual fund and plan to keep them there until you retire.

If you add to your investment regularly through an automatic investment program (funds drafted directly from your checking account at regular intervals) you will help insure your portfolio grows steadily over time!

To see where I invest and what my portfolio looks like, visit www.EmilyCressey.com/25tips.



***Tip #18: Don't Invest
For Safety Alone***

There's an evil force in the universe. It's not a poisonous gas or a supernatural power, but it is slowly, invisibly corroding the spending power of your money. It's called inflation, and it averages about 3% per year in America.

Inflation is an economic concept that means our spending power is going down over time. What \$100 buys this year, will cost \$103 next year. 24 years from now, goods will cost twice as much as they do today. Hopefully that means you'll be making twice as much money, too!

Let's look at the impact of inflation on our lives. If we stuff money under the mattress, it's not staying safe and secure; it's actually losing value to the insidious power of inflation.

If we invest our money in a savings account at 3% interest, it's earning a little interest – just enough to keep it even with inflation. This money is holding its value.

If you want to beat inflation and have more real spending power in the future, you've got to invest for a rate of return greater than 3% each year.

When we invest in the stock market or mutual funds, we can expect about an 11% return over the long run. This money is increasing in value and allowing you to enhance your spending power over time.

I see many new investors who invest too conservatively. When we're just starting to save, and don't have much of a nest egg to invest, our tendency is to protect the nest egg at all costs. Even if it never goes up in value much, we think that's OK as long as we don't lose any of it! "It took me five years to save that money," we say to ourselves, "I'm not going to risk losing it all in an unpredictable investment!"

Clearly no one wants to lose money, and a total loss is very unlikely if you invest wisely. Generally you'll be much better off over the long term if you invest in more aggressive opportunities, even if they happen to be more volatile. Volatility isn't much of a problem if you don't anticipate being forced to sell at an inopportune moment.

Over time your money will grow faster in something that went in value from \$20/share, to \$15/share, \$16/share, \$18/share, \$25/share, \$30/share over a number of years then something that just went \$20/share, \$21/share, \$22/share, \$23/share, \$24/share over the same time frame.

Even though you had a bumpy ride getting there, one fund increased in value 50% over the observable period, and the other fund only increased in value 20%. If your stomach can't stand the roller coaster, consider putting a bit of money in each fund to spread out your risk.

Remember, when you're young, time is on your side... it is much better to invest in something that averages a 15% rate of return each year (even if it goes wildly up and down on the way to reaching its average) than something that is a slow, steady, and consistent 7% rate of return.

When we talk about investing aggressively for the long term, keep in mind your Emergency Reserve Fund and your short term savings. You have plenty of cash to take care of your daily needs, as well as to handle unexpected emergencies and pay for big-ticket items that you are saving up for.

The money you've earmarked for long term investing has a purpose of growing as large as possible over a long period of time.

While it's OK to keep a portion of your portfolio in less volatile, lower-yielding vehicles, consider investing up to 80% of your portfolio in higher-yield vehicles when you are in your 20's and 30's. As you approach retirement age, you will have less time to wait out market slumps, should the market head south, and you can stabilize your portfolio by converting it to more conservative investments over time.

However, a portion of your portfolio should always be invested for growth. When you're young – make it a big portion!

The nice thing about real estate is that it allows you to use *financial leverage* to buy a big asset (something that you couldn't afford to buy for cash) and benefit from its appreciation in value over time.

Let's take an example:

You buy a \$200,000 house and put 10% down when you purchase it.

On Day One You owe \$180,000 against the house and have \$20,000 in equity.

You have 4 potential profit centers at work here:

1) **Cash Flow** – If this is a rental property you may have income being generated by the property or you may have to pay out each month in order to cover the mortgage and repairs. If you own the property to live in you may not have any rental income, but you are avoiding paying money on rent.

2) **Tax Incentives** – There are many tax incentives to own real estate. One is the interest write-off. If you itemize your tax returns (IRS Form 1040, Schedule A) you can get a write-off for your interest expenses each year. However if your mortgage is small or you don't itemize your returns, this may not help you. If you own the property as a rental, you should be able to write off your interest expense on Schedule E.

Another tax incentive is available to you when you sell the property. If you live in the property for two years, up to \$250,000 (for singles) and \$500,000 of your profit is available to you completely TAX FREE when you sell.

If you own the property as an investment, you can pay long term capital gains tax (the lowest tax rate, currently) on your profit when you sell, or you can defer paying any taxes by participating in a 1031 tax free exchange.

A third tax incentive is called depreciation. Although this is only available to you if you own the property as an investment, it can result in thousands of dollars in savings on your tax bill.

3) **Loan Pay Down** – If you have a fixed rate loan that includes principal and interest in the payment, each month that you send your mortgage check to the bank, a portion of it goes toward reducing the principal balance of your loan. In the beginning, the amount applied to principal reduction might be very small, say \$100 out of a \$1,000 monthly payment. As the loan gets older, a larger portion of your monthly payment will go toward principal.

This is a sample taken from an amortization table like one the bank might give you when you take out a loan.

On your first monthly payment on a 30 year loan look at how much of your payment is going toward principal and interest.

4) **Appreciation** - Price appreciation is often where people make the majority of their profit in real estate. On average in the USA, real estate values go up 5% - 6% each year. That means if you own a house that's worth \$200,000 today – if it's in an “average” market, it might be worth \$210,000 a year from now.

A 5% appreciation rate may seem a lot lower than the 10% appreciation rates we see in the stock market. However, when you buy a house using a bank loan, you're using financial leverage which will drastically increase your rate of return.

If the house appreciates 5% a year, here's what it would be worth in the five years after you bought it:

Year 1: \$210,000
Year 2: \$220,500
Year 3: \$231,525
Year 4: \$243,101
Year 5: \$255,556

At the end of five years, you have made over \$50,000 in equity on your original investment of just \$20,000 cash (the down payment). That's fantastic!

However, because of the following issues, real estate ownership is not always a good choice.

Transaction Costs – when you buy or sell property, you often have to pay a real estate commission (6% of the value of the property) and “closing costs” which are legal

fees, inspections, appraisals, bank fees, etc. Altogether, these fees may represent up to 10% of the total value of the house.

Upon reselling this \$250,000 house, transaction costs could represent a \$25,000 expense! That's a big chunk of your anticipated \$50,000 profit, up in smoke.

Negative Cash Flow – In many areas of the country it is less expensive to rent a home than to buy a similar home. If you buy a house as an investment, it may cost you several hundred dollars a month ABOVE what you collect from tenants, just to keep the mortgage current. If you live in the house, you are paying a premium for the privilege of owning it, rather than renting it.

Also remember, when you buy a house your monthly expenses sometimes go up. You must maintain the home and yard; pay for utilities in your new, larger accommodations; pay Home Owners' Association dues; and also cover the property taxes and insurance.

Price Fluctuations – Although on average houses go up in value over time, there are some markets where housing prices are very volatile – at times they go up sharply and other times they go down. Real estate cycles are usually 5-10 years long, so if you buy in an area with a fluctuating market, be prepared to hold on to the home a long time, especially if the market is starting to cool off.

There are also areas where housing markets are FLAT and appreciation rates are close to zero each year. That

means that if you buy a house and the value stays the same or goes down during your period of ownership, you might have to sell it at a loss.

In general, you want to only buy property if you think you will be able to hold onto it for at least 5 years and you expect it to appreciate more than two percent per year during that time.

So – be prepared before you start investing in real estate. It can be a great investment if you think of it as a long-term proposition, and you have the money available to make the mortgage payments on time each and every month, even if the tenants flake out on you occasionally.

Personally, real estate has been very good to me. I've bought houses in flat markets and rising markets. I've bought commercial land, apartment buildings, and office space. If you are serious about building your wealth quickly, find a way to get involved in real estate. It's a significant amount of work, and it takes some money to start out, but it can be very lucrative in the long run.

Think of the impact on your net worth if you could just buy five rental properties like the kind we talked about above. There are many low- or no-money down financing programs that will help you do this. Buying one house a year for five years, and then holding on to them, is a great plan. After ten years, you would have built a net worth of over \$580,000.

If you held on to these five houses until the time you were ready to retire, you could have them completely paid off. And if they had doubled in value in that time, you'd have five \$500,000 free-and-clear houses. These houses would have added \$2.5 million to your net worth. Rented out, they could provide you a healthy retirement income, probably today's equivalent of \$5,000 - \$7,000/month.

Now when you hear about how many millionaires make their fortunes in real estate, you'll have a better sense of the dynamics behind this strategy.

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***Tip #20: Learning Doesn't
Stop When School Does***

Investing in your education is one of the best things you can do with your money. Benjamin Franklin said, “An investment in knowledge always pays the best interest.”

The importance of education does not end when you finish taking final exams and get out into the workplace. Even though I was a good student in school, I found I got an entirely different type of education once I was out on my own, managing my own affairs.

Education should be a lifelong process, especially if you want to get rich. Many of the young millionaires I know have made enormous investments in their educations, and not just in their formal educations, although several of them do have advanced degrees. All of them have invested considerable time and money buying an education in business, real estate and investing principles.

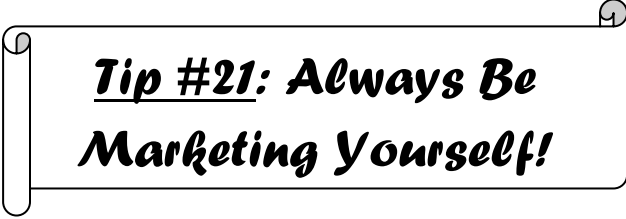
They study things like sales and marketing, investing and money, best industry practices, the biographies of great businessmen and the histories of great companies.

If you want to be well-off, you can do it by applying what I teach in this book. If you want to build wealth more

quickly or accumulate truly massive amounts of money, you'll have to learn more than I can teach you in this short book.

Visit www.EmilyCressey.com/25tips to learn more about the resources my partners and I have used to further our business education.

Make learning a permanent part of your lifestyle and be willing to invest in the education that will allow you to pursue your dreams – financial and otherwise!

A graphic of a rolled-up scroll with a black border and a white background. The text is written in a bold, black, serif font. The scroll is slightly curved, with the top edge being the outer edge.

***Tip #21: Always Be
Marketing Yourself!***

This tip might strike you as a little odd – after all, you’re not Coca-Cola, Kleenex, Band-Aid, or another huge name brand with TV commercials to pay for and market share to defend.

However, when it comes to business and opportunities, if you want to soar ahead of the flock, you need to make sure the right people know you and like you.

In some areas – such as sales – your career success may depend largely on your circle of contacts. Even if you’re not a real estate agent or insurance salesman, it’s important to build a network of contacts who can help you get where you want to go.

At the time I was invited to join two partners to form a commercial real estate investing firm, I didn’t feel comfortable investing in big projects on my own. The opportunity to do something bigger and better presented itself because of the people I knew.

Nowadays, when my partners and I raise millions of dollars in private capital to fund real estate projects – we use our network to find sources of money.

It's time to start asking yourself: Are there people in your circle of influence who can help you reach your dreams?

When I teach at my company's Wealth Breakthrough Weekend seminars, we refer to these special people as "Wealth Lifelines." They are your contacts who will help connect you with money, mentors, and opportunities!

Even if you don't know what types of wonderful things you want to do in the future, make sure you are laying the groundwork now for relationships that will help you excel, once you do decide upon a path.

Start to identify people in your circle of acquaintances who you can help and who may be able to help you in the future: professors, business people, your parents' friends, or people at your church.

Make sure you really get to know the people you interact with on a regular basis. Taking a few extra moments to form connections with these people may make the difference between their having warm memories of you five years from now or being unable to place your name.

The best networkers have databases of all their personal contacts. Start creating a list of people you know, and those you'd like to meet. Come up with a reason to re-introduce yourself to these people and see if you can do something nice for them. Eventually when you need to call them for a favor, they'll be ready and willing to help!

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***Tip #22: Peer Pressure is
Always in Effect***

Have you ever read Napoleon Hill's book, *Think and Grow Rich*? How about the biography of Henry Ford or Benjamin Franklin?

Invariably, these great men advocated the use of something called a "mastermind group." These are small groups of like-minded people who gathered to discuss the issues of the day.

These days formal and informal discussion groups abound, forming to explore diverse topics such as business goals, improving family life, religion or philosophy, or giving. They work for essentially any worthy purpose that folks want to spend time on.

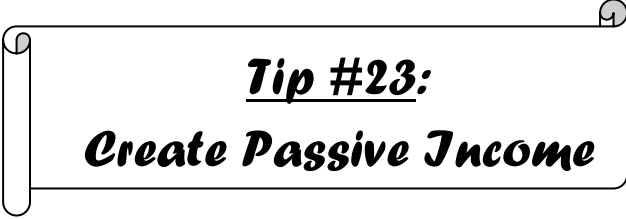
Having a business or personal mastermind group, even if it's just an informal one, is something that can help push you past your limiting beliefs and encourage you to take the sometimes uncomfortable steps necessary to reach your goals.

Just as your parents warned you when you were in high school, peer pressure is all around us. Peer pressure can be good or bad; the key behind this tip is to purposefully

harness this peer pressure and use it to create a peer group that will challenge you to excel!

Find people who are similarly ambitious and forward-thinking, then form a small group – it may even be just two people to start out with – and spend time brainstorming on issues you all find important.

The wealth trajectory of many of the young, rich people I know has accelerated rapidly in the face of this type of external stimulation and challenge!



Tip #23:
Create Passive Income

So what separates the participants in the work-a-day world from those who are able to “retire early,” enjoy a fun, mobile lifestyle, and are considered to be “independently wealthy?”

The differentiating factor is what we call PASSIVE INCOME. This is income that can be generated without much work from you. (There will always be *some* work in operating a business or overseeing your investments.)

Passive income is created by assets at work.
For example:

- A laundromat you own and that a professional manager supervises.
- A rental apartment that gives you a 15% cash-on-cash return each year.
- A mutual fund portfolio that goes up in value 11% a year.
- A website that throws off a few thousand a month, while you update the blog and make sure the fulfillment company is doing its job right.

Each of these investments (business, real estate, and

equities) has the potential to create strong investment returns while only requiring a modicum of time to manage.

Let's look at the way you can use passive income to help you afford retirement at any age.

Personally, my husband and I aim to find investments that give us at least a 10% return on our money. At that pace, with a million dollar net worth, our investments would be increasing in value approximately \$100,000 each year.

Let's be conservative and say we're only going to take out half of that money to live on, and we're going to reinvest the balance.

That means we'd be taking out \$50,000 a year to support ourselves, and reinvesting \$50,000 a year to keep our assets growing. As our net worth grows, the amounts we can withdraw and reinvest will grow, too.

Now, \$50,000 a year may not seem like much, but it's more than the average family makes in this country (see Tip #4). If you could retire on \$50,000 at 35 you wouldn't too bad off. I have friends who have done it!

Of course, my friends aren't on the beach in Jamaica. They're running businesses and acquiring more investments. The difference is, with the passive income supporting them, they now have the freedom to pursue projects they're excited about. They do things because they're fun – not because they have to!



Tip #24: Looking at Retirement Funds

Chances are when you first begin working at a full time job with benefits, there will be a number of options for you to consider when it comes time to enroll in your employer's retirement fund.

Here are a few things to know about.

401(k) Plan: An employer-sponsored retirement plan you can fund with pre-tax dollars deducted right from your paycheck. Many employers offer to “match” what you put in, contributing 100% or 50% of your contribution up to a certain amount. You may withdraw the funds from this account when you reach retirement age, but not before or you risk a 10% penalty. When you leave the employer, you can avoid the taxes by “rolling over” the funds into a traditional IRA.

Traditional IRA: This is an Individual Retirement Account that you control yourself. It is hosted through an independent investment company of your choice – most investment firms will let you open this type of account. You can contribute to your IRA with pre-tax dollars and pay no taxes on your money until you start to withdraw the funds from the account at retirement age.

Roth IRA: The Roth IRA is different from the Traditional IRA in that you make your contributions with AFTER TAX DOLLARS. That means instead of earning \$100 and contributing it directly to the fund, you have to earn \$100, pay tax of \$30 (if you are in a 30% income tax bracket) and then contribute the remaining \$70 to your Roth IRA. That's the disadvantage. The advantage is that when you withdraw the money down the road, after it's mushroomed into big money, you do not have to pay any tax at the time of withdrawal.

Employer Matching – Employer matching is generally only available on an employer-sponsored retirement plan, not on an IRA plan. How it works: Some employers will match all or a portion of the money you invest into your retirement account, up to a certain amount – say 2% of your salary. They might match everything you put in at 100%, or they might only offer 50% matching.

That means if you put \$100 into your retirement account, the employer will contribute \$100, \$50 (or \$0 if matching isn't offered). If you can get an immediate return of 100% or even 50%, you have found one sweet deal that you cannot afford to pass up!

Now, you *will* have to pay taxes when you withdraw the funds, but that's OK. You've doubled your seed money right upfront. Now you have twice as much (or 50% more) money working for you – compounding away, year-after-year, quietly building your wealth with no

laid you off AND your retirement plan dropped at the same time.

Rolling over your IRA – When you leave your employer (because of lay off, resignation, or taking a new job) you will no longer be eligible to participate in their retirement program or have company matching contributions.

You will want to “roll over” your 401(k) retirement account into an individual retirement fund that you control, such as a self-directed IRA. Then you will be able to continue investing your funds in stocks, mutual funds, real estate, or another type of investment allowed by the government’s regulations. (They don’t let you invest in stuff like Beanie Babies® – sorry.)

The Power of the Roth IRA – The Roth IRA is one of the most exciting retirement programs to come along in years. It is a tax-advantaged retirement fund regulated by the government but available through a number of reputable brokerage firms. (See my website, www.EmilyCressey.com/25tips for a list of current suggestions.)

As I said before, with a Roth IRA – you may only contribute after-tax dollars. However, when you are 60 and eligible to withdraw the funds, you don’t have to pay any taxes at that point! All your withdrawals are tax free!

That’s great, since you’ll have a lot more money in the account by then! Plus, if you’re in a higher tax bracket when you’re older (most rich people are) you’ll want to

pay tax now, at a lower rate, instead of paying higher taxes then.

The government limits how much money you can put in these accounts each year – about \$5,000/year for young people these days. They also say if you're making too much money – over \$150,000 for husband/wife combined – then you CAN'T contribute. So this is one fund that you'll have to start contributing to early if you plan on being rich down the road!

A decorative scroll graphic containing the text "Tip #25: Explore the Wisdom of the Ages". The scroll is white with a black border and has a small tab at the top right.

***Tip #25: Explore the
Wisdom of the Ages***

Great leaders throughout the years have opined about business and finances at great length. America used to be run by business owners and landholders. It was not until the industrial revolution that we turned into a nation of employees who began to look to others for support and security.

As you begin to implement the strategies in this book, you may run into challenges or struggles along the way. When you do, come back to this chapter for inspiration, entertainment, and a bit of sage wit on the topic of wealth-building from some great (and not so great) thinkers from history.

“He that is of the opinion money will do everything may well be suspected of doing everything for money.”
– Benjamin Franklin (1706 – 1790)

“If you would be wealthy, think of saving as well as getting.”
– Benjamin Franklin (1706 – 1790)

“Who is rich? He that is content. Who is that? Nobody.”
– Benjamin Franklin (1706 - 1790)

“Annual income twenty pounds, annual expenditure nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pound ought and six, result misery.”
– Charles Dickens (1812 -1870)

“Money was never a big motivation for me, except as a way to keep score. The real excitement is playing the game.”
– Donald Trump (1946 -)

“The only way not to think about money is to have a great deal of it.”
– Edith Wharton (1862 - 1937)

“My problem lies in reconciling my gross habits with my net income.”
– Errol Flynn (1909 - 1959)

“The mint makes it first, it is up to you to make it last.”
– Evan Esar (1899 - 1995)

“Lack of money is the root of all evil.”
– George Bernard Shaw (1856 - 1950)

“One must be poor to know the luxury of giving.”
– George Eliot (1819 - 1880)

“We estimate the wisdom of nations by seeing what they did with their surplus capital.”

– Ralph Waldo Emerson (1803 – 1883)

“Money frees you from doing things you dislike. Since I dislike doing nearly everything, money is handy.”

– Groucho Marx (1890 - 1977)

“The easiest way for your children to learn about money is for you not to have any.”

– Katharine Whitehorn

“Lack of money is no obstacle. Lack of an idea is an obstacle.”

– Ken Hakuta

“Money can't buy happiness, but neither can poverty.”

– Leo Rosten (1908 -)

“Money is the opposite of the weather. Nobody talks about it, but everybody does something about it.”

– Rebecca Johnson

“Never spend your money before you have it.”

– Thomas Jefferson (1743 - 1826)

“He had heard people speak contemptuously of money: he wondered if they had ever tried to do without it.”

– W. Somerset Maugham (1874 - 1965)

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Free Financial Tool Kit to Help You Follow The Treasure Map!

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- Tutor – Carolina Hispanic Association
- Treasurer – Students for Life and Liberty
- Publicity Chair – College Republicans
- Volunteer – South Eastern Guide Dogs Puppy Raiser
- Businesswoman
- Real Estate Investor participating as a principal in the purchase of over \$30 Million Dollars of residential and commercial real estate
- Personal coach, trainer, and speaker on the topics of real estate investing, personal finance, and leadership
- Founding member of the computer networking and consulting company Etherlinks, Inc.
- International Field Researcher for FINCA International, a non-profit micro-lending organization.
- Corporate Intern – Morgan Stanley Dean Witter, an investment banking firm in Manhattan, NY.
- Corporate Intern – Zevenbergen Capital, a female-owned growth-oriented stock investment fund.
- Cadet – Air Force ROTC
- Author – The Inside Track Newsletter for www.GrasslandInvestments.com and the Living Richly newsletter at www.EmilyCressey.com

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