

# The S.I.M.P.L.E. Way To Wealth

A Biblical Approach to Financial Freedom

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## **Dedication**

This book is dedicated to my father, whose words,  
“Whatever you can afford boy”, still ring in my ears.

I wish I’d listened sooner.

Raymond Evans

Born: November 7, 1926

Died: July 6, 1994

I learned my lesson Dad...you can rest now.

# 1

## INTRODUCTION

*“How does a man become wise? The first step is to trust and reverence the Lord!”*

Proverbs 1:7 TLB

**T**HE S.I.M.P.L.E. WAY TO WEALTH is not intended to be a theological interpretation of scripture. It is based on the practical application of the scriptures I used in my own journey to financial freedom. I found them to be not only helpful, but also very successful. And though your own beliefs may differ, these applications worked for me and I’m convinced they’ll work for you.

Anyone who has read the book of Exodus will understand that this is not a get rich quick book. If you remember the story of the exodus, the Israelites reached the Promised Land in short order, but refused to enter. As punishment for their “disobedience”, they wandered in the desert forty years. The first generation (including Moses) never got to enter the Promised Land...only their children got to enter. It may take some of you forty years to become wealthy and your children may ultimately be the ones who benefit most; but if you love your family, as I love mine, that’s reason enough.

It only takes one generation (forty-years) to go from poverty to wealth...and everyone has the ability to break the chains of poverty off their family. And think about this: Christians complain about the moral decline and get so upset over their inability to

effect change in politics, but if Christians (or any other group for that matter) wanted to “rule the world”...it would only take forty-years, if every Christian became financially independent.

## **God's Way Works**

While THE S.I.M.P.L.E. WAY TO WEALTH is about financial independence the lesson I hope you learn is this: *“Blessings don't come from belief, they come from obedience”*. I hope when you finish the book you will understand that whether it's health, wealth, or happiness...God's way works!

## **It's Your Choice**

I often wondered if the Israelites had known it was going to take them forty years, would they have ever left Egypt? Probably not...just as some of you will give up before you ever get started. I don't know if anyone, Prophets or otherwise, can really see into the future, but I do believe God has given us the ability to see “the end from the beginning”. God was kind enough to tell us in advance what will happen, good or bad, based on the choices we make.

You don't have to be a Prophet or have a Doctorate in Theology to understand the Bible. There are no gray areas. You don't have to wonder or speculate about what's going to happen, it's all right there in black and white. God says what He means...and means what He says.

God's way or man's way...it's your choice. God's way works, but you don't have to be a Prophet, or even a Christian, to see the result of living life man's way...crime and violence, death and destruction.

## **The First Step**

The Bible says, *“How does a man become wise? The first step is to trust and reverence the Lord”*. If you don't know God, I mean really know God...I urge you to get down on your knees and from your heart say, “God, if you're real, I want to know”. If you really want to know God and you're sincere in your request, I promise you...God will reveal himself in such a way that you will no longer believe there is a God...you'll know it!

If you're ready to begin the journey, then here is the end...from the beginning.

## THE END...FROM THE BEGINNING

*“Oh, if only I had listened! If only I had not demanded my own way!”*

P R O V E R B S 5 : 1 2 T L B

The woman was standing on the porch looking at the dark clouds forming in the west and remarked to her husband, “Storm’s a comin’.” “It appears so,” said the man, “But God is our protector so there’s nothing to worry about.” “I know,” said his wife, “I was just thinking about the neighbors”.

It wasn’t long until a pickup truck pulled into the drive. “There’s a real bad storm headed our way folks, everyone’s movin’ to higher ground, do ya need some help”, the driver asked. “Oh, no thank you.” “We’re Christians and God is our protector, so we’ll just ride this one out.” “Okay” said the man in the pickup; “Good luck to ya.”

In a little while the storm came rushing in like a freight train. Lightening struck the big oak in the front yard. Remarkably, it fell away from the house. “See” the man said to his wife, “God is always there.” “Absolutely” exclaimed the woman; “We are so fortunate.” The waters began to rise as a flash flood ripped through the neighborhood. The man and his wife quickly climbed up and perched on the rooftop.

A small boat came speeding up to the house. “Get in!” yelled the man at the wheel, “And we’ll take you to safety.” “Thank you for your kind offer” the woman said,

“But God is watching out for us and if it gets any worse God will save us.” “Suit yourself” the man in the boat said, “But it looks like it’s gonna get plenty worse before it gets better.”

The waters continued to rise and were now slapping at the roofline as the man and woman huddled together for warmth. Just then a helicopter passed over and from the opening in the side of the helicopter a man in an Army uniform called down to the huddled pair perched on the roof. “Don’t worry folks, we’ll drop a ladder down and you can climb to safety.” “Don’t bother” the man said, “God is our strength and our refuge, we trust in Him to save us.” “Folks” the man in the uniform yelled, “In a few minutes this whole area will be under water, please let us help you.” “My husband is right” the woman exclaimed, “Salvation is of the Lord, we shall wait on Him.”

As the helicopter disappeared from sight the waters indeed covered the house, and the man and woman were swept into the frigid water. As they were sinking for the third time the man called out to God, “Lord, why have you forsaken us?” Just then the skies opened and a thundering voice was heard, “I sent you a truck, a boat, and a helicopter...what more do you want?”

## **Let Go and Let God?**

Could you see the end, from the beginning? A lot of people are under the misguided impression that you can “let go and let God”...implying that you, as a child of God, don’t need to do anything...God does it all. But consider this: There was another flood a long time ago when God told Noah to build an ark. What do you think would have happened to Noah and his family if he had not listened, obeyed, and built an ark? Would God have “supernaturally” saved them from the flood? I think not.

If Noah had not obeyed God and built an ark...he would have perished with the rest of the world. God, through His Word, has given us all we need to know and do to live a happy, safe, comfortable life...it’s up to us to know and do.

A lot of Pastors will tell you not to concern yourself with money. They’ll tell you that poverty is pleasing to God, money is the root of all evil, insurance, savings accounts, and retirement funds, etc., show a lack of faith. Or at the opposite extreme, that God is going to make you rich. Whatever you want, you can “name it and claim it” and God will give it to you if you have enough faith.

These statements could not be further from the truth. God laid down laws and

principles by which we are to live, and if we choose to live by these laws and principles, the blessings are health, wealth, and happiness. If we choose to ignore them...well, the consequences are a miserable life. It does not mean that we lose our salvation or the love that God has for each of his children. It simply means we get to choose the kind of life we want...blessed or cursed.

## **The Journey Begins**

Like the man on the roof, I waited patiently for God to save me from everything; and believe me...I spent a lot of time treading water. On the other hand, because of that experience, this book may be the truck, the boat, and the helicopter to those of you reading. If you're just starting out, it's the truck warning you to prepare. If you're up to your neck in financial bondage, it's the boat that can take you to safety. And if you're drowning in a sea of debt, it's the helicopter that has been sent to rescue you.

## **The Narrow Gate**

Of course, like the couple in the story, the rest is up to you. The journey out of financial bondage will not be pleasant. I've been there. I know what it's like to lose a house, a car, and a business. I know what it's like to be sued, work fourteen hours a day, and try to live on twenty-five dollars a week. I know what it's like to hide from the doorbell and shudder every time the phone rings wondering which creditor it is this time. And I know what it's like to eat beans for weeks at a time.

Most likely, there is nothing you're going through that I haven't already experienced. My brother committed suicide over money problems and my mother is one of the many seniors trying to live on Social Security. Financial freedom is not an easy road, but remember...God never promised it would be easy, only that it would be worth it.

The Bible says the gate that leads to life is narrow and very few enter. This book will show you the way. Like Moses, the book is going to tell you what you don't want to hear, show you what you don't want to see, and instruct you to do what you don't want to do. It may not be what you want...but it's what you need, if you want to enjoy life the way God intended it to be...in peace, without fear.

If you want a joy-filled life, free to serve God, and partake of the many blessings God has for you...get your financial house in order. Or one day, like I did, you too will wake up and say, "*Oh, if only I had listened! If only I had not demanded my own way! Oh, why wouldn't I take advice? Why was I so stupid?*" (Proverbs 5:12,13 TLB)

This is wisdom speaking; and speaking of wisdom...here is wisdom.

## 3

### HERE IS WISDOM

*“A fool thinks he needs no advice, but a wise man listens to others.”*

Proverbs 12:15 TLB

**D**o you know the difference between wisdom and knowledge? Wisdom is what you get from someone else’s experience; knowledge is what you get from your own experience. For instance, you probably know that if you touch a hot stove you get burned. Did you learn that by listening to your parents (wisdom) or by touching the stove (knowledge)? If you listen to wisdom you can avoid getting burned. If you don’t, or won’t, listen to wisdom, you’ll end up getting burned more often than not. This book is filled with wisdom; I hope you’ll listen.

#### **A Wise Man Knows His Limits**

I learned a long time ago that a wise man knows the limits of his wisdom. There are a lot of things I don’t know, but this one thing I know for sure...I wish someone would have shown me thirty years ago, what I’m about to show you. It’s not a secret and it’s certainly not a new revelation. In fact, the information contained in THE S.I.M.P.L.E. WAY TO WEALTH has been around and available to almost anyone for a long time. It’s just simple wisdom gleaned from the pages of The Holy Bible.

Now, before you think this is just another religious diatribe to convert you to Christianity, stop right there. It’s not my intention to convert or convince you of

anything other than the value of the practical application of the scriptures contained in THE S.I.M.P.L.E. WAY TO WEALTH. The Bible says God is “*no respecter of persons*” (*Acts 10:34 KJV*), so you don’t have to be a Christian to use or profit from the principles. Just as gravity shows no favoritism to one person over another these principles are universal and apply to believers and non-believers alike. Remember, blessings don’t come from belief; they come from obedience. I will say this, “Be wise in your pursuit of wealth”. Wealth can be a constructive force in the hands of the wise, but a destructive force in the hands of a fool.

Just so we understand each other, THE S.I.M.P.L.E. WAY TO WEALTH is not a theoretical concept based on religious belief. While I believe the Bible to be true and trust its wisdom without question, I didn’t need to prove to myself the principles work. I applied them because my financial situation was a disaster. God’s way had worked in every other area of my life...I knew it would work on my finances as well.

When I put the principles into effect in my own life six years ago, I was deep in debt and doing all I could to keep the wolves from the door. Within a short period of time after applying the principles, everything got measurably better. One by one the wolves went away...we’re now almost debt free and have over \$50,000 in the bank. If I had started on THE S.I.M.P.L.E. WAY TO WEALTH twenty years sooner, I’d be a millionaire by now. Of course hindsight is always 20/20. As it is, it’s going to take me another fifteen years or so to become a millionaire. But let me ask you this...where will you be in fifteen years? Will you be a millionaire?

## **Listening To Wisdom**

I was inspired to write this book for the benefit of my daughter and son-in-law. I wanted to help them understand how simple it is to become wealthy...if they would just start while they’re still young. I think it’s only natural for parents to want their children to do better and have an easier life; and it’s been said, “Experience is the best teacher.” I agree, but it doesn’t have to be your experience.

If you’ll listen to wisdom (the experience of others) you won’t have to get burned to find out the stove is hot. Unfortunately, like most children, I didn’t listen to wisdom when I was young. I just hope by putting this down in black and white, my children, and you, will not perceive this as just another “lecture” from a father, but rather the passing on of wisdom gained through fifty years of learning things the hard way.

Now, here is wisdom.

## THE ROAD LESS TRAVELED

*“The path of the godly leads away from evil; he who follows that path is safe.”*

Proverbs 16:17 TLB

Life has often been described as a journey, with life’s decisions simply “Y’s” in the road, where you have a choice of going one way or the other. It’s not that I disagree with this illustration; it’s just that it’s too complex. How do you know where you are or where you’re going after you taken a few of those “Y’s?” How do you backtrack from a bad decision? And how do you know how far back to go to get to the right decision? It seems to me one could easily get lost on such a journey. Of course, like the Cheshire Cat said to Alice in *“Through the looking glass”*, “If you don’t know where you’re going, any road will take you there.”

### **The Road To Life**

The Biblical illustration of Salvation is also often described as a “Y” in the road, with one way leading to Life (Eternal Salvation), one way leading to Death (Eternal Damnation), and you choosing which road to take. But I don’t see it that way. I see a two-lane highway with Life and Death at opposite ends. Everyone is going one way or the other. We often find in life that while we may be going in the right direction, we meet someone on the other side of the road who “temps” us to go with them...and we find ourselves going in the wrong direction.

Sometimes it's very clear, like being asked to help rob a liquor store; sometimes it's not, like being asked to bring office supplies home from work. Both are stealing.

The good news is, when you realize you're going in the wrong direction, you can simply stop, turn around, and start going in the right direction. It happens a lot in life, which is why some people never seem to get anywhere. They are constantly changing directions, going back and forth, back and forth. It's interesting to note that the word "repentance" does not mean, "to ask forgiveness"...it means, "to turn around."

Using this simple "two-way street" illustration, think of wealth and poverty as opposite ends of the same highway. You're going one way or the other. If you're spending more than you make, you're definitely on the way to poverty. On the other hand, if you're making more than you spend you're on the way to wealth. In either case, how fast you get to wealth or poverty depends on how much you make and spend.

## **Change The Way You Think**

Are you living from paycheck to paycheck? Are you among those who never seem to be able to get ahead? Do you believe you're destined to be poor all your life or think it's too late for you to change? In my study of scripture one thing became perfectly clear, "Salvation is not a change in the way you act, it's a change in the way you think; which manifests itself in the way you act."

For example, you can go to church seven days a week; but that won't save you if your thoughts are still wicked and evil. On the other hand, when your thoughts change to goodness and mercy, you'll want to go to church seven days a week. See the difference?

I firmly believe anyone, and I mean anyone, who wants to be wealthy can become wealthy...if they will just change the way they think. Sure some will get there faster than others, but everyone who follows THE S.I.M.P.L.E. WAY TO WEALTH will eventually get there.

**Think about this:** Even if you're the poorest of the poor and it takes you a lifetime to become wealthy...it's better than the alternative. By following THE S.I.M.P.L.E. WAY TO WEALTH your life will ultimately be better than it is now, but your children and grandchildren's lives will be fantastic. You'll be able to leave an inheritance to your children that will break the chains of poverty off your family forever. Not only by leaving them your material possessions, but also by laying the foundation of wealth for generations to come.

You don't need brains or luck to become wealthy. It just takes desire and commitment...and someone to show you the way. Here's the way.

If you're ready, then let's get started on THE S.I.M.P.L.E. WAY TO WEALTH.

## SAVE 10% OF YOUR INCOME

*“The wise man saves for the future, but the foolish man spends whatever he gets.”*

Proverbs 21:20 TLB

**I**t doesn't take a rocket scientist to understand the wisdom in saving a portion of your income; but even saving can be misunderstood. Most people save nothing, while some people save everything. Both are dangerous positions. By not saving, you're sacrificing the future; by saving everything, you're sacrificing the present. In nature, there is always a balance. God, in His wisdom, understood the necessity for saving a portion as protection against future calamities. The principle He established is called “tithing”.

### **The Principle Of Tithing**

“Tithing” is one of the most hotly debated topics in Christianity. And little wonder...“tithing” is about money. Almost everyone is familiar with the scripture, *“For the love of money is the root of all evil: which while some coveted after, they have erred from the faith, and pierced themselves through with many sorrows.”* (1 Timothy 6:10 KJV). The question is not “should we or shouldn't we”? The question is “will we or won't we”? The purpose of “tithing” is very clear in scripture, *“The purpose of tithing is to teach you always to put God first in your lives.”* (Deuteronomy 14:23 TLB)

Contrary to popular opinion, God did not create the tithe to force people to give. Trust me on this; God doesn't want people to give, He wants them to be giving...there's a big difference between the two.

## **The Purpose Of Tithing**

There are several passages in the Bible where "tithing" is mentioned...and if you study them, it will be confusing at best. The Bible appears to be contradicting itself. In one passage the "tithe" is eaten by the Priests...in another, "you" eat the tithe. In one scripture you take the tithe to the sanctuary as an offering. In another, you sell the tithe and then travel to the place the Lord chooses and use the money to buy an ox, sheep, wine or beer...have a feast with your household and rejoice before the Lord. Are you confused yet?

The confusion comes in thinking that there is only "one" tithe. The word "tithe" simply means ten percent. In all likelihood there were probably different "tithes" for different purposes. Try to think of it this way; a "tithe" is like a tax. It was God's way of "funding" the "government" and providing for the welfare of the community. The priests who were the stewards or caretakers of the temple received "a" tithe, but they were also required to "tithe of their tithe"...just as our politicians are paid from our tax money, but must also pay taxes (at least that's the way it's supposed to work).

The "tithe" (or "a" tithe) was to be kept in a storehouse to provide for God's people in the event of hard times...famine, pestilence, etc...that God knew was bound to come upon them at one time or another. And if you remember, Joseph called for twenty percent to be "tithed" by the Egyptians after his vision of the seven years of famine. The famine that ultimately brought the Israelites to Egypt, got them enslaved, gave rise to Moses...oh well; you know the rest of the story.

We're not talking about taking the "tithe" that belongs to God and putting it in a savings account. We're simply applying the principle of tithing...saving ten percent of your income to protect yourself and your family from future calamity. The Bible says, *"A wise man saves for the future"*. It's not greed...it's wisdom.

## **Preparing is not paranoia**

Unless you can see into the future, you have no way of knowing when disaster may strike you or your household. Science is getting better at "predicting" tornadoes and

such; and you can take an “educated guess” that the economy might take a turn for the worse; but you can’t predict with any certainty that you’re going to lose your job or get run over by a truck. And these events can be just as devastating, or even more so to some people, as any “natural” disaster.

## **Prove Me**

You are probably familiar with the scripture found in Malachi 3:10, *“Bring all the tithes into the storehouse so that there will be food enough in my Temple; if you do, I will open up the windows of heaven and pour out a blessing so great you won’t have room enough to take it in!”* Some of you might be thinking that this is “Old Testament” and no longer applicable, but what did Jesus say, *“For verily I say unto you, Till heaven and earth pass, one jot or one tittle shall in no wise pass from the law, till all be fulfilled.”* (Matthew 12:5)

## **Under Grace**

The Old Testament was given for our example...to help us “physically see” the principles God laid out in scripture. It is no longer necessary to supply the “priests” with sheep and cattle for slaughtering, but that doesn’t mean our “tithes and offerings” are no longer required or that scripture is no longer applicable. God’s word never returns void and always accomplishes what it sets out to do. As you will see, when you bring your “tithes” into the “storehouse” (put ten percent of your income in the bank) a lot of good things will start to happen.

Having said that let me say this: “Tithing” is not about giving ten percent to the church...it’s about putting God first. The “widows mite” was a lesson in devotion, not desperation. It wasn’t ten percent, yet Jesus said she gave more than all those who gave from their abundance. God looks at the heart, not the pocketbook. He loves a “cheerful” giver...and “giving” people will be rewarded for their generosity. As I said before, “God doesn’t want people to give, He wants them to be giving”...it’s a matter of the heart, not the head.

## **The Pursuit Of Wealth**

A lot of Pastors, and many Christians, believe that the pursuit of wealth is an evil self-centered humanistic philosophy. I might tend to agree with them, if the pursuit of

wealth is your only goal in life. But the Bible does not say money is the root of all evil; it says it's the "love of money" that will destroy you. Let money be your friend; just don't let it become your god.

**Let me make this perfectly clear:** When you follow THE S.I.M.P.L.E. WAY TO WEALTH you are not saving your money to become wealthy, you become wealthy because you're saving your money. It may not seem like it, but there's a big difference between those two statements...think about it.

## **Opening the Windows of Heaven**

Okay, let's get back to the principle of tithing. According to Malachi 3:10, to turn things around and "open the windows of heaven", all you have to do is save ten percent of your income...not forty or fifty percent...just a measly ten percent. Let's see how the numbers work when you apply the principle of tithing.

According to the US Census Bureau the average single male makes a little over \$24,000 a year; the average single female about \$15,000, and the average married couple almost \$48,000 per year. If each of them save just ten percent, assuming no raises throughout their lifetime, and the money just sits in a regular savings account earning 2%...here's how the numbers look.

	10 Years	20 Years	30 Years	40 Years
Single Female @ \$125 mo.	\$16,589	\$36,849	\$61,590	\$91,804
Single Male @ \$200 mo.	\$26,543	\$58,959	\$98,545	\$146,887
Married Couple @ \$400 mo.	\$53,087	\$117,918	\$197,090	\$293,774

Not exactly setting the world on fire, but it's far more than most people accumulate in a lifetime. And wouldn't you feel much better having twenty or thirty thousand dollars in the bank instead of hoping your paycheck will suffice when an emergency comes up. Remember the money is sitting in a regular savings account. Put the money into a Certificate of Deposit paying 5% and your savings double. For a married couple the forty-year figure grows from \$293,000 to over \$600,000.

In a little while you'll see how you can increase your savings tenfold, but if you do nothing else, get a savings account opened and start putting ten percent of your

income in the bank. The earlier you start saving the faster and larger your savings will grow. That's because of compounding.

## **How Compounding Works**

They didn't have compounding in Biblical times. A ton of wheat was a ton of wheat no matter how long it was kept in storage. But for us, we have the advantage of tremendous growth because of compounding.

The bank pays you interest on the money you have on deposit in your savings account. In our example we used 2%, which is about average today. The rate can, and does, change periodically, but generally it doesn't go much below 1% and rarely goes above 3% for regular savings. So let's say you put \$1,000 in the bank; at the end of the year you would have \$1,020 or 2% more than you started with...that's the interest the bank pays you for "using" your money. Yes, banks use your money...that's why they pay you interest.

Banks are allowed to loan a percentage of their deposits (your money) to other people. When someone borrows money from the bank they pay interest to the bank. If the bank charges 15% for the loan, and pays you 2% for your deposit, the 13% difference is the profit the bank gets. If the borrower doesn't repay the loan, the bank loses not only the principal (the amount borrowed) and interest; it must still pay you for your deposit.

It's not too difficult to see that if banks make enough bad loans they could go out of business...that's why banks are usually a little tougher when it comes to loaning money than other types of lenders. High-risk lenders, like Finance Companies, charge a higher rate of interest because they accept higher levels of risk.

Back to compounding: In our example your \$1000 is now worth \$1020, but that's not the good part. Since you now have \$1020, the interest you earned is now also earning interest...that's compounding. In ten years, your original \$1000 would be worth \$1221; and you didn't have to do a thing except leave it in the bank.

**Please Note:** These numbers are for illustration purposes only. I wanted to keep it simple to help you understand the concept of compounding, not get out your calculator to determine how much you're going to have in twenty years. There are other factors like daily and monthly calculations verses annual calculations and the fluctuation in interest rates that have an effect on the numbers. All I want you to understand is compounding means your interest earns interest, which contributes to the growth of your savings.

By starting young you have the advantage of time. As you get older it takes more money to make up for the time lost. And when you get to be my age it takes a lot more money...that's why I am so adamant about starting as soon as you can. At twenty years old, \$100 per month will give you a nice comfortable retirement. At fifty, it takes over \$2000 per month to accomplish the same end. Which do you think is easier?

## **If You Do Nothing Else**

I can't emphasize this enough, if you do nothing else, save ten percent of your income. If you have payroll deduction at work, use it. It's much easier to save, when you don't see the money. The next best thing is to set up an automatic transfer at the bank from your checking to your savings account weekly, biweekly, monthly, or whatever time period you're comfortable with.

We didn't have payroll deduction so we set up an automatic transfer at our bank...it's virtually painless, and no different than making a loan payment each month; except now you're paying yourself instead of a loan company. If you have to, put cash in an envelope and stuff it under your mattress. It's not the best way because the temptation to spend it will come often and you will lose the power of compounding, but if it's all you can do right now, do it!

## **The Next Step**

If you're a single gal, after looking at the chart, you might be thinking \$90,000 after forty years of saving \$125 a month is not very much...and you would be right. With just 3% inflation, that \$90,000 is about the same as having \$30,000 today...it might last you a couple of years if you watch your pennies.

It might not look like much now, but in step two you'll learn how to change that \$90,000 into almost \$1,000,000...without doing anything illegal or immoral.

## 6

### INVEST YOUR SAVINGS

*“The man who wants to do right will get a rich reward. But the man who wants to get rich quick will quickly fail.”*

Proverbs 28:20 TLB

**I** understand why you wouldn't be thrilled with the results of leaving your money in a regular savings account. With inflation of just 3% a year you're losing 1% per year. You're not losing your money, only the purchasing power of your money. In 1968 you could buy a new Volkswagen Beetle for less than \$2000. Today, a new Volkswagen Beetle costs over \$20,000...that's inflation.

Inflation is simply the result of the economic principle of supply and demand. Or, as someone once put it, “too much money chasing too few goods.” Like it or not, inflation is pretty much a fact of life. It may not affect everything all the time, but it affects enough things enough of the time to make getting ahead one of the most difficult things you'll do...but it can be done.

#### **First Things First**

The principle of sowing and reaping is the most basic principle in the Bible. So basic that Jesus said, *“If you can't understand this simple illustration, what will you do*

*about all the others I am going to tell?” (Mark 4:13 TLB).* In step two we’re going to look at how to protect yourself against inflation and help your savings grow.

## **Planting Seeds**

A farmer plants seeds to produce a crop. Not every seed produces fruit, but some of them produce fruit in abundance. You probably recognize some seeds like sunflower, sesame, maybe poppy seeds, because you see them frequently; but you probably wouldn’t recognize a dahlia seed, or an aster. The point being, when you look at a seed it’s hard to tell what that seed will become when it’s grown...and almost impossible to tell by looking at it if it will grow at all. There are a lot of factors involved in growing seeds; some you have control over and some you don’t. As you know, not every seed produces fruit at the same time...some take longer than others. And I can’t think of any seed that produces fruit the day after it’s planted. Anyone who has grown anything knows it takes time.

## **Sowing And Reaping**

The principle of sowing and reaping is simple. While every seed planted doesn’t produce abundance, one thing is abundantly clear...if you don’t plant any seeds; you won’t harvest any crops. It’s that simple.

Since this is a book about financial independence, obviously this section is not intended to instruct you in the proper way to grow tomatoes and cabbage. It’s the principle of sowing and reaping we’re after...because the principle is just as applicable to your finances as your garden.

In the parable of the Sower (Matthew 13, Mark 4 and Luke 8) the farmer scatters his seeds everywhere. Some of the seeds fall by the wayside and get eaten by birds. Some fall on thin rocky soil and while they do grow, the sun quickly burns them up because the roots aren’t deep enough to sustain the seedlings. Still other seeds fall among the weeds, which grow faster and crowd the young plants so they aren’t able to produce any fruit. But some of the seeds fall on fertile soil and they produce an abundance of fruit.

The parallel should be clear. There are lots of ways you can choose to invest your money, but not all of them are good and many of them will produce little or no fruit. Perhaps you’ve already had one or more experiences with “sowing” into bad soil...chain letters, lotteries, get rich quick schemes, etc. These things seldom produce fruit.

Remember, it takes time for a garden to grow and produce fruit. Getting rich quick is one of life's greatest temptations. The programs almost always sound too good to be true. Wisdom dictates, if it sounds too good to be true, it probably isn't true.

## **There's No Free Lunch**

Have you ever heard the term TANSTAAFL, it means THERE AIN'T NO SUCH THING AS A FREE LUNCH. If you're not familiar, learn from one who has wasted a lot of money trying to prove the adage wrong. You're thinking just because these "get rich quick" programs didn't work for me, it'll be different for you. Maybe, but I have never talked to anyone who made one work. Generally speaking, the only people who make money with "get rich quick" schemes are the people selling the schemes. That doesn't mean you can't become wealthy...on the contrary, you can. It's very simple and completely honest, but "quick" is not a part of the equation.

## **The Easy Way**

You might have a rich uncle die and leave you a fortune. You might spill scalding coffee on yourself at a fast food restaurant and win a huge lawsuit. You might hit the lottery (the odds on the Powerball were only 80,000,000 to 1, you could be the 1). You might even win the Publisher's Clearinghouse Sweepstakes. You might do any of these things...but if you count on it, you'll probably retire in poverty.

Sowing and reaping, saving and investing, are not glamorous concepts, but they do work. The Bible says if you sow to the wind, you'll reap the whirlwind; and as the parable of the Sower points out, the chance of hitting good soil is only one in four if you just scatter your seed willy-nilly. The value of the parable is understanding that the more you sow in fertile soil, the better the outcome. So forget the schemes, scams, and cons. THE S.I.M.P.L.E. WAY TO WEALTH is by sowing as much as possible in fertile soil.

## **The Simple Way**

There are a lot of investment vehicles out there, so many in fact it becomes overwhelming...some good, some not so good. The purpose of this book is to show you the *simple* way to wealth. Certainly it's not the only way. There may come a time in the future when you're more knowledgeable and financially secure that you want to explore

other options...that's up to you. But in the long run, the most productive investment vehicle, and the best hedge against inflation, has always been the stock market.

Unless you're a professional money manager, the simplest, easiest way for anyone to invest in the stock market is to buy mutual funds. A mutual fund, as the name implies, is nothing more than a group of people (like you and me) pooling their money and hiring a professional money manager to invest their money in the stock market.

**Please Note:** I'm not suggesting you have to go out and get a bunch of friends together and then go find a money manager in order to become wealthy...there are over 7,000 different funds available for you to buy right now.

### **Not Biblical?**

Okay you're saying, "Now I've got you, there's no mention of mutual funds in the Bible." Are you sure? Look in the Book of Acts, chapter two and verse 44. When the church was first formed, what did they do? Did they not "pool their assets?" Doesn't the Bible say, "All that believed were together and had all things common?" And didn't they appoint Deacons to oversee the goods? If God considered it important enough to establish a "mutual fund," wouldn't it be wise for us to consider the same thing?

So how do you determine which fund or funds to buy? Again, I don't want to confuse you and this book is just a foundation book...there are many good books out there that go into great detail on investing in mutual funds. The purpose of this book is to show you the *simple* way to wealth; and how by following THE S.I.M.P.L.E. WAY TO WEALTH, you can become wealthy and retire comfortably.

### **Watch It Grow**

We saw in the last chapter how saving 10% of your income grows over time, but the return of a regular savings account will barely keep pace with inflation much less provide the necessary growth to become wealthy.

**The good news is:** You don't need "monster" returns to reach your goal...all you need is a return of 10-12%...which is about the average return of the stock market index since its inception at the beginning of this century.

Let's see how getting a 10 to 12% return changes the numbers.

Forty Years @	2%	10%	12%
Single Female @ \$125 mo.	\$91,804	\$790,509	\$1,470,596
Single Male @ \$200 mo.	\$146,887	\$1,264,815	\$2,352,954
Married Couple @ \$400 mo.	\$293,774	\$2,529,631	\$4,705,909

These numbers are not adjusted for inflation, so the actual amounts may be less

Wow! What a difference! The good news is you can do it. The bad news is TANSTAAFL. Higher returns come with a price. The price is risk. The standard disclosure statement is "Past performance is no guarantee of future returns"...that means just because a fund, or the market in general, has performed at a certain level in the past doesn't mean it will perform in the future.

## **Risk and Reward**

There are basically three kinds of risk. Market Risk: which means the market is subject to fluctuations. Manager Risk: which means the fund is dependent upon the skill of its manager (anyone can have a bad day or make a bad decision, but a bad manager is a bad manager). And finally, Unique Risk: which means some funds, like international funds for example, have risks that are unique to their fund...like currency changes, political changes, etc. in countries where they invest.

The key is time. There are going to be good years and bad years, ups and downs to contend with, but since THE S.I.M.P.L.E. WAY TO WEALTH is a long-term approach, we're looking at the average return over time, not the "get rich quick" short-term profit and loss.

## **Reducing Risk**

Most financial advisers agree that the best way to reduce risk in the market is through diversification...spreading the risk by investing in different types of investments. Diversification reduces the gain in good years, but also reduces the losses in bad years.

When I first started, I invested in several different funds...looking for the BIG SCORE. Unfortunately, I didn't score too well. I thought if 10% was good, all I needed was 20% and I could reach my goal in half the time. I should have known better, but I was still a "child" in the world of investments. I didn't listen to wisdom, so I got "burned" a few times.

## **Here Is Wisdom**

Listening to wisdom concerning "diversification" leads you to the most boring funds available, but they're also the perfect funds for THE S.I.M.P.L.E. WAY TO WEALTH. They're called "asset allocation" or "balanced" funds. They won't produce "skyrocket highs" in good times, but neither will they "crash and burn" during bad times.

An "asset allocation" or "balanced" fund is a fund that generally holds both stocks and bonds...thereby reducing the risk and volatility of the fund. Reduced risk, means reduced returns. But the good news is, most "asset allocation" funds that have been in existence for ten years or longer are producing an average return of 10 - 12%. More than enough to allow you to reach your goal, with less risk, and almost no work since you only need to keep up with one fund instead of the many different funds it would take to achieve diversification.

This may be a stretch, but let's again look at the first century church in the Book of Acts. We saw where they established a "mutual fund"...but can we carry it one step further? How was the "fund" administered? Didn't the Deacons "allocate the assets" to every person as needed, so there was no abundance and no lack? Wouldn't that indicate an "asset allocation" fund? I'm not suggesting the Bible says to invest in "asset allocation funds," but I do find the parallel very intriguing.

I can't emphasize enough, "past performance is no guarantee of future returns," but think of it this way, even if the fund only averages 8 percent, it's still four times the return of a regular savings account.

**A Word of Caution:** If you absolutely, positively, can't tolerate any amount of risk...leave your money in the bank. You won't get the returns outlined in THE S.I.M.P.L.E WAY TO WEALTH, but you will virtually eliminate the risk of loss.

Okay, so to reach our goal we need to save ten percent of our income and invest our savings in an asset allocation or balanced mutual fund. How do we do it? When do we do it? In the next chapter we put it all together to get you started on the way to becoming wealthy and retiring comfortably

## MAKE SYSTEMATIC INVESTMENTS

*“Steady plodding brings prosperity; hasty speculation brings poverty.”*

Proverbs 21:5 TLB

**A**t one time I believed there was no such thing as right and wrong, only different. What was right for you may not be right for me...and vice versa. As I grew older I discovered there is indeed a right way and a wrong way to do everything...or maybe an easy way and a hard way would be more appropriate. The Bible says, *“There is a way which seemeth right unto a man, but the end thereof are the ways of death.”* (Proverbs 14:12 KJV)

### **Which Way?**

When the disciples asked Jesus to “show them the way” he told them they already knew the way. I could say the same to you. Most likely, nothing I have shared so far is new to you. Everyone knows they should save, but very few do. Statistically, five of six adults have less than \$100,000 saved for their retirement. And the median annual income of retirees is only \$16,000, half of which is typically supplied by Social Security. Why are people so ill prepared when it’s so easy to become wealthy?

We turn to the Bible for the answer. *“For you closed your eyes to the facts and did not choose to reverence and trust the Lord, and you turned your back on “wisdom”, spurning my advice. That is why you must eat the bitter fruit of having your own way, and experience the full terrors of the pathway you have chosen. For you turned away from me to death; your own complacency will kill you. Fools! But all who listen to me shall live in peace and safety, unafraid.”* (Proverbs 1:20 TLB)

We just don't, or won't, listen to wisdom. It's that simple. Ask any senior citizen what they would do differently if they could start over and most, if not all, would tell you..."Save more money".

## **James and John**

You have probably heard about the two twins, James and John. When they graduated from High School James decided to go right to work while John went to college. James put \$2000 a year into an Individual Retirement Account (IRA); John elected to wait until after graduation.

Six years later when John finished his post-graduate work, he started putting \$2000 a year into an Individual Retirement Account. James got married and had a child on the way so he had to stop putting money into his IRA.

They got together one evening as they were nearing retirement. John, who had been putting \$2000 a year into his IRA for the last 40 years, was telling James about all the things he was going to be able to do because he had been disciplined enough to keep up his IRA contributions every year. James, who had to stop making contributions after only six years, told John he was happy for him; but confessed he had done all right and was looking forward to retirement as well. "James," John boasted, "You're looking at a millionaire...those 40 years of investing really paid off." "If you ever get in a bind or need anything, please ask." James looked at his brother and said, "John, that is so kind of you; but it's not necessary...you see, those six years I invested in an IRA have made me a millionaire as well."

When they compared bankbooks they were amazed that each had almost exactly the same amount of money in the bank. John who had invested \$2000 a year for 41 years had a balance of \$1,464,242, while James who had only invested \$2000 a year for six years had a balance of \$1,437,726.

Now do you understand why it's so important for you to start saving and investing as early in life as possible? It took John a lifetime to match what James accomplished in just six years. Proving...the longer you wait to get started, the harder it becomes.

Using the same parameters, let's see what happens when you choose to wait.

Age	@ 2%	@ 10%	@ 12%
25	\$102,683	\$752,407	\$1,304,055
35	\$ 68,965	\$279,639	\$ 410,265
45	\$ 41,305	\$ 97,367	\$ 122,489

Figures represent depositing \$2,000 annually to age 65 in a tax-sheltered investment, not adjusted for inflation

As you can see, if you're 25 years old, waiting just ten years could cost you over \$800,000...and the loss is phenomenal if you wait twenty years. No matter what age...you need to get started now to maximize the benefits later.

These numbers are based on depositing \$2000 a year into an Individual Retirement Account, which is approximately \$166-167 a month. For some this will be less than 10% of their income; for others it will be more...but to keep it really simple, let's look at the numbers if you just deposit \$100 a month.

Age	@2%	@10%	@12%
25	\$73,443	\$632,407	\$1,176,477
35	\$49,272	\$226,048	\$ 349,496
45	\$29,479	\$ 75,936	\$ 98,925

Figures represent depositing \$100 per month in a tax-sheltered investment until age 65, not adjusted for inflation

At 25 years old, just \$100 a month, averaging a 12% return, will make you a millionaire by the time you're 65.

## **Start Saving Now!**

I know what you're thinking. "I'm struggling to pay the bills now, much less put \$100 into an Individual Retirement Account...I really can't afford it." When I was in the automobile business I heard the same comment when I offered the protection benefits of extended warranties. It always amazed me that people who could not afford an extra \$25 a month to protect themselves, believed they would be able to afford \$2000 for a new transmission. The truth is, they just believed it would never happen to them. In reality, it usually did and they could ill-afford to get the car repaired.

So let me ask you this: If you're struggling to pay your bills now, while you have an income, how in the world are you ever going to pay the bills later...when you have no income? Do you think it won't happen to you? Do you think expenses go away when you turn 65? If you just consider the basic necessities of life...food, clothing, and shelter...how are you going to survive?

If you don't start as soon as possible, you'll end up like most seniors who scrape by on Social Security (assuming it's still around when you retire) living barely above the poverty level. Is that what you want for yourself and your family?

A hundred dollars a month is about twenty-five dollars a week...the cost of a carton of cigarettes or a night in a bar. If you can't afford a hundred dollars a month, maybe now would be a good time to quit smoking and drinking. I'm not anti-smoking or drinking...just anti-poverty. If you're not a smoker or drinker, I'm sure there are areas of spending that you can decrease. Whether you save a hundred, fifty or just twenty-five dollars a month...whatever the amount...start saving now!

At age 25, a hundred dollars a month will make you a millionaire by the time you reach age 65, but it takes almost \$4500 a month to accomplish the same end if you wait until you're 55 to get started.

If you're over 45 you may be feeling a bit discouraged right now. Please don't. I'm fifty-two, and I didn't start until I was 46. It would have been nice to start at twenty five, but it's not possible to turn back the clock, so we have to sacrifice a lot more to make up for it. But even if you're starting from ground zero, having something in the bank is still a whole lot better than nothing...and nothing is what you'll have if you don't start saving some money each month.

## **Putting It All Together**

Before we start I want a clear understanding of my purpose...this is a foundation book. There are many options available for both saving and investing. There are also many books written on financial planning...most of which are aimed at sophisticated investors. I have purposely omitted going into great detail concerning company and individual retirement accounts and the multitude of investment vehicles from which you can choose for one simple reason...THE S.I.M.P.L.E. WAY TO WEALTH was written to be just that...simple.

I remember how hard it was to break free from financial bondage; and how difficult it was to understand the terminology; and how confusing it was to choose the right mutual funds. I also found that I made it too complex. It doesn't make sense to worry about what types of retirement accounts are best when you're struggling to pay your electric bill. And it doesn't make sense to worry about diversifying your investment portfolio and trying to keep up with stocks, bonds, and 10 or 12 different mutual funds, when one good fund will serve the same purpose. We make financial planning, as with most things in life, much too complex.

## **The K.I.S.S. Principle**

THE S.I.M.P.L.E. WAY TO WEALTH will show you all you need to do to become wealthy. Anything more than that, is just that...more. Retirement accounts are good things, and once the foundation is laid you'll start funding your retirement account. And there are definitely ways to increase the return on your investments, but until the foundation is in place, developing a diversified portfolio would be like putting a roof on a house before the frame is built. Did you ever hear of the K.I.S.S. principle? KEEP IT SIMPLE STUPID. It's still a very good principle to live by.

## **Watch Out!**

Before we continue, there are a couple of dangers of which you need to be aware. One is "greed". Greed will destroy all your good work. There will be times when the stock market soars and people will be getting thirty, sixty, even a hundred percent return on their investments and you'll be tempted to sell your investments and hook up with the winners.

The reason most people lose in the stock market is because they buy high and sell low. When it comes to investments, history indicates that last years' "high-flyers" are usually this years' "bottom-dwellers."

Generally speaking, unless you have the time, knowledge, and expertise of a professional money manager, by the time you "discover" the "high-flyer"...it's on its way down. Think of it this way, professional money managers do this for a living, spending 10, 12, 14 hours a day...they know the business and the business behind the business. There is no way you can compete with them (although you'll think you can) by reading newspapers and magazines. There will be times when selling your funds and/or adding additional funds make sense, just make sure you're doing it for the right reason. Be on guard against greed, all you need is a 10 - 12% return to become wealthy.

The second danger is "lack of patience". Lack of patience is a close relative of greed. Where greed wants more, lack of patience wants it faster...both can be devastating. Lack of patience will cause you to make irrational decisions, most of which you'll usually regret one way or another. THE S.I.M.P.L.E. WAY TO WEALTH is a wealth-building program, but it's not a "get rich quick" program. What is it they say, "Rome wasn't built in a day?" This is a long-term approach...but that doesn't mean you won't see some immediate results.

## **The Long and Short of it**

After starting the program it was only a short time before most of our problems disappeared. Does that mean we no longer have any problems? Not at all...but now we're able to weather storms that a few years ago would have been disastrous. We spend more time laughing than crying, more time enjoying life and looking forward to retiring at sixty-five instead of working until eighty. As I said before, "I wish someone would have shown me thirty years ago, what I'm showing you."

Okay, ready to put it together? Then again, let's turn to the Bible for instruction. *"When you enter the land and have planted all kinds of fruit trees, do not eat the first three crops, for they are considered ceremonially defiled. And the fourth year the entire crop shall be devoted to the Lord, and shall be given to the Lord in praise to him. Finally, in the fifth year, the crop is yours."* (Leviticus 19:23-25 TLB)

## **Laying The Foundation**

THE S.I.M.P.L.E. WAY TO WEALTH is a lifetime program that takes about five years to fully develop. By that I mean, for most of you, the first three years you will do nothing but save your money. No fancy investments and no complex retirement plans.

Why is that? Well, assuming you're at ground zero...that is, like most people you have very little or no savings...the first thing you need is an "emergency" fund. You need to keep three to six months worth of living expenses in reserve.

Why not invest the money? While investing over the long term will provide better returns, the short-term can be disastrous if the market is in a down cycle when your refrigerator stops working or your car breaks down. You need to have some short-term funds available to protect you when disaster strikes suddenly. Remember, this is a long-term plan requiring patience.

We're simply laying the foundation. The scripture says, "*Do not eat the first three crops*". Isn't it interesting that if you put 10% of your income into a savings account you should have just about enough money in the bank to cover the emergency fund in about three years?

As the scripture indicates, the tithe of the fourth year is to be dedicated to the Lord. So in the fourth year, you're going to move the money in your savings account to an investment account. The tithe (ten percent of your income) of the fourth year continues to go into your savings account and becomes your "charity account."

## **A Charity Account?**

Why have a "charity account?" Remember we talked about greed? Don't let it get you. Giving is a good habit to get into, and the Bible is very clear about the rewards of cheerful giving. God repays money given to the poor...and God is very generous.

Having a "charity account" gives you the freedom to give without regret. Find a good cause and support it. Get involved with helping others...the rewards go way beyond money. If you really want to do it right, deposit your "tithe" into your charity account every third year (the year of the tithe, Deuteronomy 26:12). Remember, this is not "the" tithe we talked about in an earlier chapter (the first ten percent you should be giving to God)...this is "a" tithe; the ten percent you're "saving".

In his famous Sermon on the Mount Jesus said, *“If you give, you will get! Your gift will return to you in full and overflowing measure, pressed down, shaken together to make room for more, and running over. Whatever measure you use to give, large or small, will be used to measure what is given back to you.”* (Luke 6:38 TLB)

Do you ever wonder why the rich keep getting richer? Look at how much they give. If you follow THE S.I.M.P.L.E. WAY TO WEALTH you will ultimately be able to give much more than ten percent to help others...and you will gladly do it.

## **The Fifth Year**

In the fifth year it's time to start investing. Now it's time to think about company and individual retirement accounts and mutual funds. Who knows what retirement vehicles will be available in five years? If you choose a company sponsored plan, they will generally have several mutual funds for you to select from. Your choices will be limited, but they usually have an “advisor” to help with your selection and almost always have an asset allocation or balanced fund as one of the choices. If you opt for an Individual Retirement Account, you can fund it with almost any fund (there are some exceptions, but the fund family can help you determine which funds are not appropriate).

## **Which Fund?**

There are over 7,000 funds available today with more starting all the time, but all you really need is a good solid Asset Allocation or Balanced Fund. In the last few years, a new type of mutual fund sometimes called a Lifestyle or Lifecycle Fund has been introduced. Rather than investing directly in stocks and bonds these funds invest in other mutual funds, which invest in stocks and bonds. The advantage is a broader base of investments (greater diversification) which should produce even less risk than an asset allocation or balanced fund could provide on its own. But remember, less risk generally means less return. Part of the reason for lower returns is that these “Funds of funds” generally have higher expenses.

All funds have management and other fees that are passed on to investors (something to look out for when choosing a fund), but in addition to the fees paid to the “Fund of funds”, you also pay the fees of each individual fund within the “Fund”...thus, the expense of the “Fund” is typically higher, which has an adverse effect on the return. Remember TANSTAAFL? Less risk...almost always means...less return.

These funds are relatively new so they really haven't been tested in the "fire" of a down market, but my gut feeling is, expenses notwithstanding, these may be very appropriate vehicles for our purpose. They are designed to meet specific goals for specific age groups. More aggressive when you're young, more conservative as you get older. Remember, all we need is a 10 - 12% return; and these funds are currently producing returns in the 10 - 12% range, so they're worthy of consideration.

## **Getting Started**

I would like to address one more issue before we move on to the second part of THE S.I.M.P.L.E. WAY TO WEALTH. If you already have three to six months living expenses in savings and a program for giving, you don't need to wait five years to begin investing. The purpose of the first four years is to establish the foundation. Obviously, if you already have the foundation in place there's no need to wait before you start building. Find out what retirement plans your employer offers. Get some brochures from the bank on IRA's. Search the Internet, talk to friends and family, and find out as much as you can before you invest.

## **Choosing The Best**

People are different and so are their needs. While there may be a best choice, you typically won't go wrong with any choice, as long as you take advantage of the tax benefits offered with retirement accounts. Putting your money in a taxable account can cost you fifty percent or more of your potential savings. For example, a twenty-five year old person who puts \$2000 a year in a company or individual retirement account earning 12% will have \$1,304,055 at age 65. Assuming a 28% tax bracket, that is still approximately \$928,487 after taxes. In a taxable account the money will only grow to \$613,803...that's \$314,684 less, for not taking advantage of the tax-deferral benefits offered by retirement accounts.

## **Better Than The Best?**

In my opinion, the new Roth IRA is even better. Unlike a traditional IRA or company retirement account, deposits to a Roth IRA are made with after-tax money so there is no tax deferral on the principal...but the earnings on a Roth IRA are tax-free! That means you get to keep to whole \$1,304,055! There are some qualifications and restrictions, but in my opinion, anyone who can qualify (which is almost everyone)

should definitely take advantage of the Roth IRA. Things could change, but at this point in time I would even be so bold to say that you should put the maximum amount of money into a Roth IRA before you contribute to a company-sponsored plan or traditional IRA. It's that good.

## **A Firm Foundation**

There are essentially two parts to THE S.I.M.P.L.E. WAY TO WEALTH. The first part is saving and investing for growth. The second part is managing expenses and getting out of debt. Both are important to becoming wealthy and retiring comfortably. In building, whether it's a house or a financial program, laying the foundation is the most important part. A poorly laid foundation will adversely effect the whole structure of a building, causing all kinds of problems from minor water leaks to major stress cracks. The way to avoid problems is to make sure the foundation is sound.

Perhaps you're familiar with the parable of the two builders, *"All who listen to my instructions and follow them are wise, like a man who builds his house on solid rock. Though the rain comes in torrents, and the floods rise and the storm winds beat against his house, it won't collapse, for it is built on rock. But those who hear my instructions and ignore them are foolish, like a man who builds his house on sand. For when the rains and floods come, and the storm winds beat against his house, it will fall with a mighty crash."* (Matthew 7:24-26 TLB)

## **Patience is a Virtue**

You're probably anxious to start investing, but you must lay a solid foundation or your financial plan will come crashing down around you. You may be thinking you can beat the odds, and perhaps you will. Most likely you won't. Shortcutting has become a way of life, but shortcutting will usually end up cutting you short. Take the time to follow THE S.I.M.P.L.E. WAY TO WEALTH and you will become wealthy...and try to remember what the Bible says, *"The man who wants to get rich quick will quickly fail."*

## **How Much and How Often?**

Here are the guidelines on how much and how often you should save. The principle of tithing indicates saving ten percent of your increase. Your increase would be the amount of money you earn...your gross income...not the amount you take home. So

ten percent of your gross income is the number you should use. How often? Well, how do you get paid? Weekly? Biweekly? Monthly? There's your answer. Don't make this difficult. Just save ten percent of your gross income, as you receive the income.

## **Here We Go**

**The first three years.** Save 10% of your income. If you have an automatic deduction plan at work, it's the best way to go. It's much easier to save when you don't see the money at all. If you don't have a plan at work, open a savings account and set up an automatic transfer from your checking account (if you don't have a checking account, you'll need one). If you truly can't afford 10%, make it an amount that's comfortable. Remember this is a journey; don't make it a hard journey...we'll look at ways to increase your savings in later chapters. The key is to have a plan and then follow the plan. You can and probably will make adjustments several times over the course of a lifetime.

**4<sup>th</sup> year.** Transfer your savings to an investment or brokerage account. It usually takes a minimum of two thousand dollars to open this account, but if you've been saving regularly for the last three years that shouldn't be a problem. A brokerage account generally pays money market rates, which are higher than a regular savings account. It also gives you the option of buying stocks, bonds, and mutual funds, which you'll need later. This is your emergency account; so don't get tempted to invest it. **Note:** Some brokerages charge an "inactivity" fee; make sure your brokerage doesn't. Deposit your "tithe" this year into your savings account as "seed money" for charity. Again, don't be tempted to keep it...greed and selfishness are the most destructive forces around.

**5<sup>th</sup> year.** It's time to start investing. If you have a retirement program at work, use it. If not, open an Individual Retirement Account by establishing a new automatic transfer into an IRA. Most funds have a minimum purchase; for IRA's it's usually \$500. Once you purchase the fund, they will usually allow you to make additional purchases for as little as \$50.

However, the easiest way (and the one recommended by THE S.I.M.P.L.E WAY TO WEALTH) is to start an Automatic Investment Plan (AIP). With an AIP, most funds and brokerages will allow you to open an IRA with as little as \$25 provided you invest \$25 per month until the minimum is reached.

This accomplishes two things. One, it satisfies Step Three by helping you make systematic investments. And two, it allows you to take advantage of what is commonly known as "dollar cost averaging."

## Dollar Cost Averaging

By investing a fixed amount each month you automatically purchase fewer shares when the price is high and more shares when the price is low.

Here's an example of how it works: In the first month you buy 10 shares at \$10 per share. The second month the price falls to \$5 per share; because you're investing a fixed amount, you buy 20 shares. In the third month the market comes back to \$8 per share and you buy 12.5 shares. At first you might think you're losing money since the price has fallen from ten dollars to eight dollars a share, but you would be wrong. The average price of your shares is \$7.66 ( $\$10 + \$8 + \$5$  divided by 3), but with dollar cost averaging, the average cost of your shares is just \$7.05 (total cost divided by total shares or  $\$300/42.5$ ). You have actually made \$40 or a return on investment of 13.33%. It's not magic; it's just simple arithmetic.

The result of dollar cost averaging is that the average cost of your shares is less than the average price during the time you're investing.

It looks something like this:

Month	Shares Purchased	Price Per Share	Cost
One	10	\$10	\$100
Two	20	\$5	\$100
Three	12.5	\$8	\$100

## Warning!

While "dollar cost averaging" is an excellent investment strategy, it does not guarantee that you will profit...or protect you from a loss...and it only works if you consistently add a fixed amount each month. If you try to "time" the market by only buying when the price is low, you have entered the world of "market timing"...a very difficult strategy to use, for even the best money managers.

At present, you can deposit up to \$2000 into an IRA. If you're saving more than you're allowed to invest in IRA's, put the money in your charity or brokerage account. You can use the excess to help more people, increase your emergency fund, or purchase other stocks, bonds, or mutual funds to increase your average return. IRA's have some

restrictions, but it's not difficult to find out about IRA's, your brokerage or bank can explain all the options.

I suggest funding your IRA with an Asset Allocation or Balanced Fund. These funds typically have more than enough return to reach your goal (10-12%), with a lower level of risk than most other funds. Lifecycle funds have comparable returns and may be even better if you're looking for a more conservative fund. On the other hand, if you want higher returns and are willing to accept higher levels of risk, you can use any investment vehicle (with some exceptions) to fund your IRA. Just be aware, if you don't have the time, knowledge, or expertise to manage a portfolio, it can turn ugly real fast.

As always, past performance is no guarantee of future returns. Read the prospectus before you invest in any fund. A prospectus may be obtained through your broker or directly from the fund.

## **A Good Alternative**

I would be remiss if I didn't at least mention an investment vehicle that I believe is a good alternative and a simple way to accomplish your retirement goal...Variable Annuities.

A Variable Annuity is an investment vehicle offered by insurance companies that allows you to invest in mutual funds without the dollar restrictions of Individual Retirement Accounts. You can put any amount (there are some restrictions) into a Variable Annuity, and like a qualified retirement plan (401k, 403b, IRA's, etc.) the earnings grow tax-deferred. This is a great advantage for anyone who has more to invest than is allowable by IRA's or is not eligible or has access to company sponsored plans (401k, 403b, Pension, Keogh, etc.).

The disadvantages are that Variable Annuities, like 401k's, have a limited selection of investments to choose from; but the selections are generally adequate for most people. Also, Variable Annuities may have higher expenses; but considering all the advantages I think the expenses are negligible. They are not pre-tax advantaged like qualified plans (unless you make them a part of a qualified plan), but they are a great alternative for anyone who doesn't have access to a qualified plan and is looking for a tax-deferred retirement vehicle without the limitations of Individual Retirement Accounts.

**A word of caution:** Variable Annuities are NOT savings accounts. These are long-term retirement vehicles, so don't use them for emergency accounts or for money allocated for short term wants or needs. Like any investment account you can get your money anytime, but the penalty for early withdrawal (generally less than 10 years) is severe.

Having said that let me say this: While Variable Annuities are not for everyone, there are a lot of advantages to Variable Annuities. Variable Annuities are extremely flexible and a good choice for a lot of people. They're simple, easy to acquire, and easy to manage.

There are a lot of investment vehicles available, but if you do nothing else, save ten percent of your income and invest each month in an Asset Allocation or Balanced mutual fund...and you'll be on your way to becoming wealthy and retiring comfortably.

## PREPARE FOR THE WORST

*“A sensible man watches for problems ahead and prepares to meet them.”*

Proverbs 27:12 TLB

“Be Prepared”. You’re probably familiar with this famous motto...it’s from the Boy Scouts of America. Originally it was “Be prepared for the Second Coming of Christ”, but as with most Christian tenets in our secular society the motto has been “watered down”. It has now become a mantra for simply being prepared for the future. But no matter how you look at it, or wish to interpret it, very few of us would argue with the wisdom of being prepared. Preparing is not paranoia...it’s wisdom.

Saving and investing is one aspect of preparing, whether it’s for a rainy day or retirement...but there is another aspect to preparing.

### **Protecting Your Wealth**

No one knows what the future holds. Accidents are called accidents because they can’t be foreseen. Premature death can leave a family wondering how they’ll survive. And a disability can wreck havoc on a once promising life. Any of these tragic situations can cause all the money you had saved to disappear. How do you protect your wealth? One word: Insurance.

If you're a Christian you might be thinking, "Having insurance shows a lack of faith." But doesn't scripture say, "*...if the goodman of the house had known what hour the thief would come, he would have watched, and not have suffered his house to be broken through*" (Luke 12:39 KJV)? As the scripture indicates, if we had foreknowledge of a disaster we could prepare for it; but since we don't, wisdom would dictate that we should always be ready for whatever may come our way.

## **Protecting Yourself and Your Family**

Most people are familiar with property and casualty insurance (homeowners, renters, automobile, etc.) which are designed to protect you from uncertain events. You may or may not have an automobile accident. Your home may or may not go up in flames. Your apartment may or may not be robbed. These are all uncertain events and most people have some type of insurance to protect them so we're not going to talk much about property and casualty insurance. Yet most people are grossly unprotected against the most certain event of all...death. Why is that?

Perhaps this sounds familiar. "I hate insurance. I've been paying insurance premiums for over thirty years and never once had a claim. I paid all those premiums and got nothing in return." Irritating isn't it? Yet with the exception of a few people who make a living out of defrauding insurance companies, very few people would risk life and limb by running their car into a tree to collect on their automobile insurance. Nor would many people risk irreplaceable memories by setting their house on fire. And who wants to die or become permanently disabled to collect on their life or disability insurance?

## **The Purpose Of Insurance**

Granted, you may never collect on your insurance; but when you see a pile of twisted metal that was once your automobile, you'll gain a deeper appreciation for automobile insurance. Or after sifting through the ashes of what once was your home, your homeowners insurance will become eminently more palatable. Ask any widow or widower whose spouse has died prematurely if having life insurance was worthwhile. Or ask the disabled if they are thankful they had disability insurance. You see the purpose of insurance is to protect you from a loss, not provide you with a gain. And while you may indeed pay premiums and never collect on uncertain events, one thing is certain...you, or someone you love, will always benefit from life insurance.

## **Who Buys Insurance?**

Accumulating wealth is the easy part; keeping your wealth takes planning. Ask any successful financially independent person and they will tell you life insurance is the cornerstone of any good financial plan. Yet most people would rather visit a dentist for a root canal than visit with an insurance agent. Why is that?

Be honest, if an agent called and asked to come over and explain the benefits of a comprehensive program of life, disability, and long term care insurance...would you invite them to come? I'll give you even money that you would politely (or perhaps not so politely) refuse the offer. Unfortunately old stigmas, like old habits, are hard to break. If you're like most people, you probably think life insurance agents are one step above (or maybe below) used car salespeople. Unfortunately you may be right, but be careful not to throw the baby out with the bath water. Who do you think buys life insurance...stupid, ignorant, poor people? Think again.

I hate to say it, but life insurance, like the Stock Market, has been the advantage of the healthy, wealthy and wise. Most people would be lucky to get a financial planner to even talk to them unless they have a six-figure income. Why? It's not because they earn large commissions on rich people. It's because a financial planner doesn't have to spend an exorbitant amount of time overcoming prejudices with rich people. Rich people understand the importance of financial planning...not because they can afford to, but because they know they can't afford not to. While the stupid, poor, and ignorant are figuring out a million ways to avoid talking with an insurance agent, the rich are laughing all the way to the bank. It's just one more reason why the rich keep getting richer and the poor keep getting poorer.

## **Here Is Wisdom**

If you think a comprehensive program of life, disability, and long term care insurance is stupid, here is wisdom: "It's better to be prepared for that which does not come, then unprepared for that which does."

The Bible says, "*It is appointed unto man once to die*", so you may as well face it...someday, you're going to die. The real question is, what's going to happen to your family when you do? If you think going through life without protecting yourself and your family is a "show of faith," you're just asking for trouble. And you'll certainly see how much faith you really have when an accident, premature death or disability, takes

everything you own. It's utterly foolish to believe you are immune from the trials and tribulations of life. Remember Job?

This is not condemnation; merely pointing out that insurance has its place. It's not a lack of faith to have insurance...it's wisdom. In Biblical times, the family of the disabled or dearly departed would take responsibility for the dependents. It's easy to see we don't live in Biblical times. We have enough trouble getting people to be responsible for himself or herself, much less anyone else. If your parents needed daily care and constant monitoring, would you do it? Could you do it? Do you have any idea how much long-term care facilities charge? You wouldn't believe me if I told you.

## **How Much Insurance?**

How much life, disability, and long term care insurance do you need? That's a highly individual question. Everyone's needs are different. You may need a little or a lot, but unless you've been saving and investing for a long time you probably need some.

It would be nearly impossible to cover every aspect of the insurance industry in a book such as this. And since everyone's needs are different, it would be foolish for me to even suggest a "blanket approach" that would cover everything, so I'm only going to touch on a few things that I feel are important for you to understand about life insurance.

## **Managing Risk**

A general rule of thumb is this: The purpose of insurance is to protect you from a loss, not provide you with a gain. If there's no risk of loss, or you have an abundance of assets to cover the loss (self-insurance), you probably don't need insurance. It's called "risk management." The more risk you're willing to assume, the less insurance you'll need. Just be sure you understand the risk...and the consequences of assuming it.

Insurance is not complicated, but it's easily misunderstood and misrepresented. Since this book is written to be simple, I'm not going to go into long legalistic explanations or fill the pages with "lawyer-talk". My goal is to help you understand the importance of life insurance to your financial plan.

For example, a lot of people will tell you it's a waste of money to buy life insurance on infants or young children. The argument is, if the child dies there's an emotional loss, but it frees you economically from the expense of raising the child...so you actually would be saving money if the child died. In a morbid sort of way, having a

child die is an asset, not a liability. I know this is a horrible example, but it's commonly preached that children shouldn't be insured. But suppose the child doesn't die, instead he or she is diagnosed with leukemia...at that moment the child becomes uninsurable; he or she will never be able to get insurance.

**Please Note:** You insure a child, to insure that he or she will be insurable. In addition, some types of life insurance can be used to fund education and even assure a child's wealthy retirement...remember, the earlier you start the less it takes. We put a \$100,000 VUL (Variable Universal Life) policy on our granddaughter when she was a year old...for just \$360 a year (the amount will never be more than \$360 a year for her entire lifetime) she will be a multi-millionaire when she turns 65.

## **Two Important Questions**

Life insurance should be the cornerstone of your financial plan. Why? Because it's going to take time to become wealthy, but life insurance creates an immediate estate. In the event you should die prematurely, the proceeds can be used to pay off debt and/or provide an income for your family. Sooner or later we're all going to die. Death is inevitable...planning for the inevitable is not only wisdom; it's an act of love.

So what kind and how much insurance should you have? Assuming you're not "independently wealthy" you must just ask yourself two questions. One, "Do I have people who depend on me for support and would be adversely affected by my premature death or disability?" And two, "Do I care what happens to them?" If you answer "yes" to those questions, you probably need insurance.

## **Two Types of Insurance**

There are probably as many different policies as there are insurance companies but basically there are only two types of life insurance. One is temporary insurance, usually called Term Life. And the other is Permanent insurance, commonly called Whole or Ordinary Life. The differences are dramatic and the subject of many books, pro and con. Temporary (or Term) has its place and usefulness, but it is not a substitute for Permanent insurance. A lot of companies sell Term insurance as a replacement for Permanent. In my opinion this is a misapplication. True, Term insurance is cheaper; but remember TANSTAAFL (There Ain't No Such Thing As A Free Lunch)?

To understand why Term insurance is cheaper, you must first understand how insurance works. Permanent insurance is just that...permanent. It's a lifelong program. Permanent insurance endows (matures) at age 100 and builds a cash reserve which when you reach 100 years of age is typically equal to the face amount of the policy. This is based on a guaranteed rate of return (usually 2 –2.5%) and is commonly referred to as “cash value”, although cash value is probably a misnomer.

One of the misconceptions about cash value is that it's a savings account. Cash value is not a savings account, although it acts like one. Like a savings account you have access to your cash value anytime. You can borrow against it, use it to pay your premiums, or take it out by surrendering the policy. The trade-off comes at the expense of your coverage. Using the cash value reduces the amount of coverage because the cash that builds up in a Permanent insurance policy is really a “cash reserve” that offsets the increase in premium as you age...that's why premiums for permanent insurance don't increase as you get older (and why it's cheaper to buy it when you're young).

You don't need to be a genius to understand that the older you get, the more expensive insurance becomes...insurance is based on risk, and the older you are, the higher the risk; hence the higher the premiums. Who do you think is more likely to die first, a twenty-year old or a seventy-year old? Also, since Permanent insurance “endows” at age one hundred, buying insurance when you're young allows you to spread the endowment over a longer period of time, so the premiums are considerably lower. Term insurance has no “cash value” (cash reserve), which is why the premiums go up at each renewal, usually so high that very few people can afford them in the later years.

## **Understanding the Difference**

I know this may be confusing but try to think of it this way: the difference between temporary (term) insurance and permanent (whole life) insurance is like the difference between leasing and buying an automobile. When you lease a car you are just “renting” it for a period of time. The payments are lower because there is no ownership or equity in a leased vehicle. When you buy a car you own it, and the equity is yours. With a leased vehicle you must continue to pay as long as you want to drive. When you buy a vehicle, at some point you no longer need to pay. With Term insurance you must continue to pay to maintain coverage. With permanent insurance there is a point at which the cash reserves are sufficient to pay the balance of the premiums. Ironically, this usually occurs when the premiums for term insurance are so high most people have to

drop the coverage and end up spending the most susceptible time of their life unprotected. Trust me on this: Insurance companies are not stupid; they understand risk thoroughly.

## **Prepare To Live Longer**

Some agents will tell you the need for insurance is eliminated or drastically reduced as you near retirement. And it does...for some people. It used to be we retired at sixty-five and died a few years later, but now we're living longer than ever, well into our eighties and nineties. Today, retirement is no longer a few years of gardening and playing golf, relaxing on some beach, or going to Disneyland. It's almost another lifetime...upwards of ten, twenty, even thirty years or more of providing for yourself and your family. Try to buy or renew a Term insurance policy when you're seventy-five or eighty. Chances are, you either won't be able to get coverage due to your health or the coverage will be so expensive you won't be able to afford the premiums. The only people who have a reduced need for insurance are those who saved and invested throughout their lifetime and have a sufficient amount of assets to fund their retirement. Is that you?

Does that mean term insurance is a bad deal? Not at all...just as there are good reasons to lease a car, there are good reasons to buy term insurance. But leasing isn't the best choice for everyone, and neither is Term insurance.

## **Short-term verses Long-term**

Term insurance, like leasing, is a short-term program. Both leasing and Term Insurance are very popular today. Why? When compared to buying, leasing allows you to have a lower monthly payment, or drive a nicer car for the same payment. Just as Term insurance allows you to have a lower monthly premium, or more coverage for the same premium, compared to Permanent insurance. Leasing and Term insurance are very appealing for the same reason...they satisfy short-term wants rather than long-term needs. Please don't misunderstand me; I'm not saying Term insurance (or leasing) is wicked and evil. Term insurance and leasing have their purpose and usefulness. But in the long term (typically fifteen years or more), permanent insurance, like buying a car, is generally less expensive and more beneficial for most people. In my opinion, Permanent insurance should be the primary consideration for any serious long-term financial plan.

## **Do Not Be Deceived**

Here's another very popular expression today, "Buy term and invest the rest". It is highly touted by so-called experts and many magazines. In theory, it makes perfect sense...and I tend to agree with the theory. Term insurance provides cheap death coverage; and investing (as we've seen in the preceding chapters), is a major part of THE S.I.M.P.L.E. WAY TO WEALTH.

But in reality most people don't "invest the rest", which is why the theory typically doesn't work. That's why I said earlier that Term insurance is not a substitute for Permanent insurance. Term insurance, without an underlying investment account, is just "death" insurance. The only way for anyone to benefit from Term insurance is for someone to die. Only Permanent insurance, through its "cash value", provides benefits whether you live or die and can be intelligently called "life" insurance. Which policy is right for you? It depends on what you're trying to accomplish.

## **The Perfect Insurance Policy?**

There's no such thing as a perfect insurance policy...one that's right for everyone...just as there's no such thing as a perfect investment. Everyone's needs and tolerance for risk are different. But there is a vehicle, although not perfect, that I think may be ideal for most people starting on THE S.I.M.P.L.E. WAY TO WEALTH. In my opinion, it combines the best of both worlds. Its called Variable Universal Life.

Variable Universal Life (VUL) combines Term insurance with an investment account. You can choose from several investment options (typically mutual funds) including a "guaranteed interest" account. It's extremely flexible and allows you to increase or decrease insurance coverage (subject to insurability) as your needs change. And, unlike mutual funds, you can usually change your investment choices without penalty or tax liability, as often as you like. You can also add spousal and children's riders, making it an ideal family policy. The earnings on your investments grow tax-deferred and are not subject to the \$2000 IRA maximum contribution. There are other tax benefits to a VUL policy as well. And unlike other types of investments, insurance proceeds pass to the beneficiary free from probate and inheritance taxes.

They work something like this: With Permanent insurance the insurance company uses your premiums for investing and pays you 2-2.5% in dividends. Similar to how a bank uses your money to loan to other people and pays you 2-2.5% interest. If

the insurance company invests wisely...say they return 12 – 12.5%, they keep the 10%...just like banks that loan money at 12-12.5% gets to keep the 10%. That's how banks and insurance companies make money...using your money. With a VUL, you invest your premiums and pay the insurance company 2-2.5% in expenses. If you invest wisely, you get to keep the 10% (or whatever return over the 2-2.5% expenses). The expenses are typically higher on a VUL than other types of insurance, but the potential return is also higher.

**A word of caution:** If your investments fail to earn enough to cover the expenses, you still have to pay the expenses, so your premiums could go up (just like the insurance company still has to pay you dividends if their investments fail to return enough to cover the dividends). It's all a matter of "risk and reward". If you assume more risk, you are entitled to more reward. If you don't want the risk, opt for the "guaranteed interest" account, which usually pays 5-5.5%. The potential for growth is minimal, but so is the risk.

VUL may not be perfect, and it's not for everyone, but it's definitely worth considering for anyone who wants to make THE S.I.M.P.L.E. WAY TO WEALTH even simpler. With a VUL you can save for retirement, invest, and protect, with one policy and one monthly premium...what could be easier than that? The downside, as I said, is expenses. By their nature, insurance policies with investment accounts are more expensive than insurance policies or investment accounts by themselves. It's not the cheapest way to go...just the easiest. But for those who lack the discipline or expertise to go it alone or simply want the convenience, the expense is negligible.

**A word of caution:** While VUL is a life insurance policy; the underlying investment account makes it a security. As with any security there are no guarantees (except for the "guaranteed interest" account). Remember the disclosure, "Past performance is no guarantee of future returns"? It also applies to VUL policies. My recommendation: Find someone you trust to advise you.

## **The Bottom Line**

The bottom line is this: You need to have a good insurance agent, just as you need a good banker, a good lawyer, or a good accountant. An insurance agent plays an important role in your overall quest for financial independence.

**Please Note:** Today, most insurance companies offer a full range of financial services, so a good agent (provided s/he is qualified) can help you with almost every

aspect of financial planning. However, most agents (and especially new agents) have only minimal investment knowledge and expertise and are rarely qualified to give advice past the basic need for insurance, so choose your agent carefully. Or as the Bible points out, *“If the blind lead the blind, shall they not both fall into the ditch?”*

## **My Advice**

As a former (albeit still licensed) insurance agent, here is the best advice I can give you on insurance. Find an agent you feel comfortable with...ask a relative, neighbor, co-worker, someone you trust, who their agent is and would they recommend him or her. Meet with the agent and let him or her evaluate your situation and then make suggestions for coverage based on your situation. Make them give you solid reasons for their suggestions. If it makes sense, then make a decision to follow their suggestions or assume the risk yourself. If it doesn't make sense, find a different agent and continue the process until you're satisfied and comfortable with your decision. A good insurance agent is one who puts your needs first. If you get the slightest inkling they're trying to sell you something you don't need or don't have your best interest at heart, thank them for their time and walk away.

Insurance is important. It would be a tragedy to see your savings go down the drain due to an unforeseen accident, premature death or disability. This is not meant to scare you. It's just that it's going to take time to become wealthy, but protecting yourself and your family by properly insuring your future is one thing you can do right now. You don't have to wait another minute to pick up the phone and call someone. Remember, we only have this instant. The future, whether it's next year, next month, next week, or even the next minute is not ours. You and I could both die with our next breath.

## **Another Thing**

One other important point: You must...and this isn't an option...get a will. If you die without a will it creates a nightmare for your survivors. Even if you don't have enough assets to qualify for inheritance taxes, anyone who dies *in testate* (without a will) leaves it up to the State to divide the assets. And that means your survivors may or may not receive their due. Your assets could be tied up for a long time; and that could mean years without a viable means of support for your family. As with everything there are exceptions, and you may be lucky enough to be one, but don't take any chances...get a will.

## **It Happens**

I'm reasonably sure everyone knows someone who has died. My father died in 1994. He was an honest hard-working individual, and like most people he thought he would live forever. Just like the people who entered the Oklahoma City Federal Building a few years ago, and never came out. Or the kids at Columbine High School in Littleton Colorado filled with hope for the future and looking forward to summer vacation, and never returned home from school. Or the literally thousands of people everyday who get in their cars to go to work, but never make it back home. We all think it won't happen to us. It happened to my father. It could happen to me. And it could happen to you.

## **The Big Taboo**

Talking about death was taboo in our house, as it is in many homes. I think insurance is a subject many avoid because it reminds us of our own mortality. But my mother, at age seventy-one, was still working because my father didn't believe in insurance and didn't want to talk about death. He bought into the lie that insurance was a waste of hard-earned money. While he had very little debt, he did have a sizable mortgage and a truck payment. My mother's options were to sell the house, the land, and the truck...or continuing working to pay for them. She elected to continue working. My father wasn't a hard-hearted individual; he just didn't understand the consequences until it was too late.

Before he died he said to me, with deep regret, "When push comes to shove, family is all there is, they're your responsibility and the most important thing in life, so take care of them." He was a proud man and it hurt him to know that he could no longer provide for his family. I think his only regret was that he learned too late the importance of financial planning. He died of cancer on July 6, 1994. It was their 47<sup>th</sup> wedding anniversary.

I was at his side when he died, and his death changed my life. It was the primary reason for the writing of this book. I suddenly realized...I was my father's son. I was deep in debt. I had no insurance, no savings, and no retirement plan. And as much as I wanted to, I was in no position to help my aging mother.

Through my father's death I realized that people are ill prepared because they're raised that way. My father's words, "Whatever you can afford, boy" were meant to teach

me not to spend more than I made. He could afford everything he had, as long as he was alive. Financial planning was not a part of his upbringing...so it was not a part of mine.

We can only pass along what we know to our children. The rich get richer and the poor stay poor...not because that's the way it is or has to be, but because they don't know any other way.

You can't change the world, but you can change your world. Preparing for the worst is not paranoia; it's wisdom. Wills and insurance can protect your assets and provide for your loved ones; so make sure you do everything possible to prepare for the worst...because when you're prepared for the worst, it doesn't matter what happens, or when.

## LIVE WITHIN YOUR MEANS

*“The man who loves pleasure becomes poor; wine and luxury are not the way to riches.”*

Proverbs 21:17 TLB

**R**emember the road we talked about earlier, the one that leads to wealth or poverty? Like it or not, you’re on it. You may also remember that I said you’re on the road to poverty if you’re spending more than you make.

How can you spend more than you make? Easy. Did you ever buy a car? Unless you paid cash, you spent money you probably didn’t have. We’re going to talk a lot about borrowing in the next chapter, but for now, when you borrow money to buy something, you’re spending money you don’t have; and that’s a dangerous way to live.

In essence, you’re borrowing from your future; borrow too much, and your future could disappear.

### **Be Content**

Scripture says, *“be content with what you have”*...and therein lies the problem. As a banker, many years ago, I remember watching in wonder as young couples borrowed money for things like new cars, televisions, stereos, new furniture and a plethora of other “necessities.”

It seemed they wanted everything their parents had without realizing, or perhaps not caring, that it took their parents forty years to get those things. The buy now-pay later mentality robs people of their futures. In my opinion, it is one of life's greatest tragedies. It puts people in bondage, from which some never recover.

## **The Beginning of the End**

We are nearing the end of THE S.I.M.P.L.E. WAY TO WEALTH, yet we are really at the beginning...because everything starts here. If you're spending more than you make you can't possibly save ten percent of your income; and if you can't save, you have nothing to invest; and if you have nothing to invest, you'll have nothing in the future.

Some of you are saying, "Hogwash, I want what I want and I want it now; I'll worry about the future later." Do you remember Aesop's Fable about the Grasshopper and the Ant? Do you remember what happened to the grasshopper?

This book is not about giving up today for tomorrow. It's about living today while preparing for tomorrow. You must do both. And the only way you can do both is by living within your means.

## **The First Step**

Most people have no idea how much they spend each month, or for that matter what they spend it on. So the first step is to determine where you are financially...how much you're spending, and for what. Hopefully, the exercise that follows will open your eyes and help you determine what areas to reduce to get you on THE S.I.M.P.L.E. WAY TO WEALTH. Now before you prejudge the exercise, we're not setting up a budget...repeat after me..."I hate budgets." In my opinion, budgets, like diets, simply don't work. The only thing that works, whether you're trying to reduce your weight or your spending, is discipline. Everyone knows reducing the amount of fat in your diet will reduce the amount of fat in your body. The same goes for your finances; by reducing your expenses, you reduce the amount you must spend.

You've heard the term "balanced budget?" Remember, I said I hate budgets. The term simply means, live within your means...and it's an absolute necessity, whether it's your household or the government.

If you've followed the debate over the "balanced budget" you know there are only two ways to do it. One way is to reduce spending. The other way is to increase income. There's an accounting maxim that says, "Saving a dollar in expenses is the same as getting two dollars in sales." In other words, it takes two dollars in additional income to produce the same net result as reducing expenses one dollar. So while there are ways to increase your income, we're going to focus on reducing expenses.

In a minute I'll give you the twelve categories and a sub-category listing to help you determine into which category certain expenses should be placed. You could break this down into hundreds of categories and sub-categories if you want...I've kept it simple, because this is THE S.I.M.P.L.E. WAY TO WEALTH. These twelve categories are more than sufficient to give you a picture of your spending.

## **Getting Started**

Here's how it works. Take a long day or a weekend by yourself (obviously you'll include your spouse if you have one) to take a hard look at your spending habits. Get a notebook or pad of paper and make a sheet for each category. Get your checkbook registers for one year. Go through the register line by line and put the amount of each check on the sheet representing the appropriate category.

If you have one check that includes two or more of the categories, separate the amounts and place them on the appropriate sheets. For example, you go to a department store and buy three CD's and a pair of jeans; the amount spent on the CD's goes to entertainment while the amount spent on the jeans goes to clothing. Don't make this difficult...all you're looking for is an approximation of where and what you're spending your money on.

When you've completed the exercise, total the amounts on each sheet and put the total on the line corresponding to the category. This will give you a picture of where you're overspending and which areas you may be able to reduce.

Keep in mind, the purpose of this exercise is to determine your spending habits, not create a budget or tell you how to spend your money.

To become wealthy you need to save ten percent of your gross income and give freely and cheerfully to charity. However, when you finish the exercise, you'll probably see that you fall short in both categories...and hopefully understand that the difference

between what you're doing now and what you should be doing is the only thing keeping you from becoming wealthy and retiring comfortably.

## The Twelve

Obviously spending habits vary, but here are the twelve categories and a guideline for spending limits:

Housing	20%	Food	15%	Auto	15%
Insurance	5%	Debt	2.5%	Entertainment	5%
Clothing	5%	Charity	10%	Medical	5%
Miscellaneous	5%	Child Care	2.5%	Savings	10%

## Two Words of Caution

Using the income of both husband and wife virtually assures you of a lifetime of problems. When you base your lifestyle on two incomes and one of those incomes stop (due to pregnancy or job loss for example) you're going to be up the proverbial creek.

Also, just because you're below the percentage for a certain category doesn't mean you're necessarily doing the right thing. For instance, if you have no insurance, the insurance category will reflect zero, but having no insurance is a grave mistake and an even greater liability. You've got to have protection for your family. Five percent allows for group insurance, if you don't have group insurance the insurance percentage will probably skyrocket, which means the difference must come from some other category.

## Other Things to Consider

Most people will find their housing and automotive category way out of line because most people live in houses and drive cars they can ill-afford. When we

implemented the plan, five years ago, we moved from a house where we were paying over a thousand dollars a month into an apartment with a monthly rent of four hundred and twenty five dollars. That gave us over six hundred dollars a month to apply toward reducing our debt. My wife was driving a ninety model Camry and I had an eighty-six Jeep pickup (4sp, no air)...she's still driving the Camry, but I have moved up to a ninety-three hail damaged Infiniti (at two-hundred thousand miles, the Jeep had to go).

After a few years of rent increases, we decided to buy a doublewide mobile home and move into a gated retirement community. You might think living in a mobile home and driving ten-year old cars is demeaning, but remember what the Bible says, *"be content with what you have"*. We've had the big houses, new cars, swimming pools, etc. There's nothing wrong with them...unless you can't afford them...or as the Bible says, *"a little with peace is better than a lot with strife."* Trust me, it is better...a lot better.

You may not want to move, but if you do, you may find it to be the best decision you ever made. And do you really need that new car or do you just want it? It's our wants that keep us from succeeding. Imagine how much you could save each month if you just lowered your pride and reduced your house and car payments.

## **FYI**

Here's something for your consideration: When the rich young man was asking Jesus what it would take to get to heaven Jesus replied, *"...go and sell everything you have...and come follow me."* (Matthew 19:21 KJV) In 1985 my job took us to Oklahoma. Not wanting to part with the house we had just built in Texas, we rented it to a young couple. They got into financial trouble and our finances had taken a nosedive during the oil crisis so we could ill-afford to maintain two houses. Bankruptcy was not an option for us (we weren't raised that way) so rather than let go we tried to hold on, and in the end we lost the house, among other things. I remember reading that scripture and thinking, "If we had sold our possessions instead of trying to hold on to them, we could have started fresh, with no debt, some money in the bank, and no financial problems." It may not have been heaven...but it sure would have seemed like it at the time.

There is great wisdom in this scripture for those facing extreme financial difficulties. You might consider selling everything and starting over. It's not an easy decision to part with material things, especially in our material world; but you might find it's the wisest thing you could ever do. We found we could survive quite well without the big house, the swimming pool, the new cars, the jewelry, etc. Again, hindsight is

always 20/20, but if I had it to do over again, I would have sold everything and started fresh...life would have been so much easier.

## **A Dose of Reality**

The realization that you're overspending or living above your means is a dose of reality most of us would rather avoid. And I realize this is not an enjoyable exercise; but it may be the most important thing you do. You must learn to live within your means if you ever hope to become wealthy.

Sample forms are included for you to use as a guideline. Remember, you're just looking for an approximation of your spending...don't make this drudgery or you'll never complete the exercise. However, the more accurate and precise the input, the better the output...or as they say, "garbage in, garbage out"...so try to get close.

If you use one of the computer programs (i.e. Quicken, Money, etc.) this should be a snap. If you don't, I recommend you get one (if you have a computer). They are easy to use and allow you so much flexibility in keeping track of your finances, investments, personal property, and so much more. Like it or not, computers are the future; and while they may have their downside, they can be an invaluable tool for a variety of projects. The cost is now so low almost anyone can afford one.

Notwithstanding, finish the book first, and then complete the exercise. After you finish the book, the importance of the exercise will become evident.

## PERCENTAGE GUIDELINES

		Monthly	Annually
Gross Income		\$ _____	( _____ ) X 12=\$ _____
Taxes ( _____ % of Income)		\$ _____	( _____ ) X 12=\$ _____
Net Spendable Income		\$ _____	
1.	Housing	( _____ % of Net)	( _____ ) X 12=\$ _____
2.	Food	( _____ % of Net)	( _____ ) X 12=\$ _____
3.	Auto	( _____ % of Net)	( _____ ) X 12=\$ _____
4.	Insurance	( _____ % of Net)	( _____ ) X 12=\$ _____
5.	Debt	( _____ % of Net)	( _____ ) X 12=\$ _____
6.	Entertainment	( _____ % of Net)	( _____ ) X 12=\$ _____
7.	Clothing	( _____ % of Net)	( _____ ) X 12=\$ _____
8.	Charity	( _____ % of Net)	( _____ ) X 12=\$ _____
9.	Medical	( _____ % of Net)	( _____ ) X 12=\$ _____
10.	Miscellaneous	( _____ % of Net)	( _____ ) X 12=\$ _____
11.	Child Care	( _____ % of Net)	( _____ ) X 12=\$ _____
12.	Savings	( _____ % of Net)	( _____ ) X 12=\$ _____
	Total Expenses		( _____ ) X 12=\$ _____
	Difference (Income – Expenses)		( _____ ) X 12=\$ _____

## CATEGORY/SUBCATEGORY GUIDELINE

	Category	Suggested Sub-Categories
1.	Housing	Mortgage (Rent), Insurance, Taxes, Electricity, Gas, Water, Sanitation, Repairs and Maintenance, Telephone, Other
2.	Food	Grocery
3.	Auto	Loans, Gas, Insurance, Repairs and Maintenance, Licenses, Taxes
4.	Insurance	Life, Medical, Other
5.	Debt	Credit Cards, Loans and Notes to others, Other debts
6.	Entertainment	Eating Out, Activities and trips, Vacations, Movie Rentals, etc.
7.	Clothing	Work and Pleasure
8.	Charity	Church, Public Broadcasting and other non-profits, etc.
9.	Medical	Doctor, Dentist, Eye care, Prescriptions, etc.
10.	Miscellaneous	Toiletry, Cosmetics, Beauty, Barber, Laundry, Dry cleaning, Allowances, Gifts, Subscriptions, etc.
11.	Child Care	Tuition, Supplies and Materials, Transportation, Day Care, Baby-Sitting, etc.
12.	Savings	Employer Plans, Personal Savings and Investments

## Some Suggestions

If you're having difficulty "balancing your budget," here are some suggestions that may help you.

Housing	<ol style="list-style-type: none"> <li>1. Watch those thermostats. Keeping it at 78 in the summer and 68 in the winter will cut those electricity bills way down.</li> <li>2. Wait until the dishwasher is full before you turn it on...saves water and electricity. Do small loads in the sink instead of the dishwasher.</li> <li>3. Become a handyman. A bucket of paint costs a lot less than a Painter.</li> </ol>
Food	<ol style="list-style-type: none"> <li>1. Coupons, coupons, coupons! You can save 30% or more.</li> <li>2. Try store brands. If you don't like them, you can always go back to the "name brands", but you may find you can't tell the difference...except in the price, which is generally a lot lower.</li> <li>3. One-pot meals. They go farther and last longer. A pot of beans costs about sixty cents (a couple of bucks with smoked sausage) but can provide meals for a week.</li> </ol>
Auto	<ol style="list-style-type: none"> <li>1. Shop for gas. Out of the way places generally have lower prices.</li> <li>2. Take advantage of maintenance specials.</li> <li>3. Check your insurance policy to see if you're getting all the discounts for safety items. While you're at it, check around for a better rate.</li> </ol>
Insurance	<ol style="list-style-type: none"> <li>1. Get a good agent.</li> <li>2. Take advantage of group policies if they're available.</li> <li>3. If you don't have company benefits, consider a part-time job with a company that does...some of the major retailers, like Sears, allow part-timers to participate in Group programs. A part-time job will increase your income as well.</li> </ol>
Debts	<ol style="list-style-type: none"> <li>1. Transfer credit card balances to the lowest interest cards.</li> <li>2. Check into refinancing your home mortgage to one with a lower rate. Be careful; make sure you find out about penalties and/or hidden costs.</li> <li>3. Start a debt reduction program (we'll talk about that in the next chapter).</li> </ol>
Entertainment	<ol style="list-style-type: none"> <li>1. Reduce eating out to once a week, once a month, once a year, etc.</li> <li>2. Plan field trips to the park instead of the zoo.</li> <li>3. Rent movies instead of going to the movies.</li> </ol>
Clothing	<ol style="list-style-type: none"> <li>1. Don't buy anything that's not on sale.</li> <li>2. Have shoes re-heeled and re-soled instead of buying a new pair.</li> <li>3. Buy clothes that are flexible. Worn different ways for different looks.</li> </ol>
Charity	<ol style="list-style-type: none"> <li>1. Don't forget your tax deductions</li> <li>2. Give time instead of money.</li> <li>3. Don't give over the phone for any reason; make them send you information.</li> </ol>
Medical	<ol style="list-style-type: none"> <li>1. Get a prescription card.</li> <li>2. Buy generics whenever possible.</li> <li>3. See the Doctor only when necessary (unless your plan pays for it).</li> </ol>
Miscellaneous	<ol style="list-style-type: none"> <li>1. Do you really need the latest shade of lipstick?</li> <li>2. Make gifts instead of buying them.</li> <li>3. Haircuts every other month instead of every month (better yet, get some clippers and do it yourself).</li> </ol>
School/Child Care	<ol style="list-style-type: none"> <li>1. Car Pooling saves time and gas.</li> <li>2. Buy school materials in bulk and split with other parents.</li> <li>3. It's cheaper to pack a lunch than it is to eat in a cafeteria.</li> </ol>
Savings & Investments	<ol style="list-style-type: none"> <li>1. Use whole dollars on purchases...throw your change in a jar (at the end of the month you'll have thirty or forty dollars in the jar, try it and see).</li> <li>2. Go through your closets, garage, attic; things you don't use...sell.</li> <li>3. It may not be much, but aluminum cans still bring a pretty penny.</li> </ol>

These are just a handful of suggestions. Look carefully at each item on your list; I'm sure you'll find a lot of unnecessary spending.

You don't have to live like a monk, just live within your means. If you follow THE S.I.M.P.L.E. WAY TO WEALTH it won't be long before you'll be able to buy whatever you want whenever you want, but for now...be content with what you have.

It really doesn't take much income to live, unless you're overloaded with debt. And speaking of debt, it's not only the number one killer of your hopes and dreams; it's our final chapter.

## ELIMINATE DEBT

*“Just as the rich rule the poor, so the borrower is servant to the lender.”*

Proverbs 22:7 TLB

**I**t's ironic. Although I don't believe the scripture was meant to be interpreted this way, Jesus said on several occasions that the first shall be last and the last shall be first. Eliminating debt, although it's the last thing we cover, is definitely the first thing you need to do.

### **Bondage**

Debt is the ultimate form of bondage. It's what keeps people working at jobs they don't enjoy which in turn makes their whole life, and the lives of those around them, miserable. Debt robs you of your future and steals your hopes and dreams. If you haven't noticed...I'm death on debt. As the scripture says, *“the borrower is servant to the lender.”* You are either a master or a slave. If you're in debt, you're a slave...and with it, you get all the negative connotations that slavery brings. Before you jump to conclusions, let me explain what I mean by debt.

## **What is Debt?**

Debt is not simply borrowed money. It's money borrowed over and above your current ability to repay. It is based on future earnings not current assets. For example, when you buy a house you borrow money, but the money is secured by the value of the house. If you put twenty percent down, you have equity. If you had to, you could sell the house to eliminate the debt. Of course that's assuming the value of the house does not fall below your twenty-percent equity position and you can find a suitable buyer.

However, if you finance a car (or even a house) with no down payment and also finance the taxes & insurance, you're probably in debt over and above your current ability to repay. An automobile is a depreciating asset (it loses value), so if you had to rely on the sale of the car, you would probably not be able to get enough money from the sale of the car to pay off the loan. Depending on market conditions, some houses may fall into the same category.

If you have enough cash or other liquid assets to pay your lenders in full, then you are not in debt over and above your current ability to repay. When you borrow in this situation you are technically borrowing your own money and paying interest to someone else. It may not be wise, but at least it's not debt (according to my definition of debt).

Am I saying it's okay to borrow? It depends. It's certainly not a sin to borrow; and there may be situations where borrowing makes sense (for instance, the penalties for "cashing in" a CD may be more than the interest you would pay on the loan). Just remember, anytime you borrow money (even for a house) you're putting yourself and your future at risk. I believe more families have been ruined by debt than any other cause.

## **A Better World?**

Most people borrow money for houses and cars. If people had to pay cash, not too many people would be buying houses and most would be walking instead of driving. The ability to borrow is one of the primary reasons prices continue to rise. In 1972 we bought our first house. It cost \$16,500 and the payments were \$167 month. Today you can barely buy a new car for \$16,500 much less a house. On the other hand, if there were no borrowing, the price of houses would be much less or they wouldn't be selling too many houses. The reason people pay the kind of money they do for a house is because someone is willing to loan the money to them.

The same is true for the car business, furniture business, and just about any other business. The whole world revolves around the ability to finance. If everyone had to pay cash, our world would be a much different, perhaps much better, place.

## **Debt Addiction**

With the exorbitant use of credit cards and personal loans it's easy to see why most people need both husband and wife working. As I said before, counting on two incomes to maintain your lifestyle is just asking for problems. I believe debt is the major cause of the destruction of the family.

God never intended it to be that way; *“The Lord will give you an abundance of good things in the land, just as he promised: many children, many cattle, and abundant crops. He will open to you his wonderful treasury of rain in the heavens; to give you fine crops every season. He will bless everything you do; and you shall lend to many nations, but shall not borrow from them.”* (Moses' Speech in Deuteronomy 28:12-14 TLB)

It's not a lack of faith that causes the problem; it's pride, greed, and lack of patience. Have you ever heard the expression O.P.M. (Other Peoples Money)? Repeat the letters O-P-M three times real fast and you'll see why so many people are “addicted” to borrowing...and why it's so hard to “kick the habit”.

## **Bad Habits Are Hard To Break**

So how do you keep the wolves from the door? There are several ways. If you own a home you can borrow the equity to pay off your debts. Or you could get a debt consolidation loan to pay off your debts. But here's an important thing to remember; “You can't borrow your way out of debt.” Borrowing money to pay borrowed money doesn't relieve you of debt, and in some cases it makes things worse. It takes real discipline to borrow money to pay off debts; because one of the greatest dangers is that you go back into your old spending habits and make matters even worse than before.

There is a parable in Luke that describes this situation perfectly, *“When a demon is cast out of a man, it goes to the deserts, searching there for rest; but finding none, it returns to the person it left, and finds that its former home is all swept and clean. Then it goes and gets seven other demons more evil than itself, and they all enter the man. And so the poor fellow is seven times worse off than he was before.”* (Luke 11:24-26 TLB)

You may not consider debt to be a demon, but based on the destruction debt causes, I think it's a good analogy. At any rate, if you go back into debt after borrowing money to get out of debt, you are definitely worse off than before.

If your situation warrants, you could go to a "credit counseling service" to help you deal with your creditors. They do a good job, and while they have come under sharp criticism for the "kickbacks" they receive from the creditors, they do help a lot of people whose financial problems have gotten out of control.

Of course, if you're so inclined, you can file bankruptcy. While I might agree that in extreme situations, filing bankruptcy to stop creditors from harassing you while you work out a repayment schedule has some merit, I adamantly disagree with the option of allowing people to walk away from their debts.

I'm not being hardhearted, cold, or insensitive. What does the scripture say? *"The wicked borroweth and payeth not again."* (Psalms 37:21 KJV) That's not me talking, that's God talking. While bankruptcy may seem like an easy solution to your problem, consider carefully the full meaning of what you're doing. Blessings come from obedience to God and His ways. Filing bankruptcy is not God's way...it's man's way.

Remember when I said there is a right way and wrong way to do everything? There's really only one way to get out of debt. You have to work your way out.

## **The Right Way**

. My daughter is pregnant. Most of you know there's a period of "labor" prior to the delivery of a new baby...through labor comes new life. And only labor will bring new life to your finances as well. Ask any new mother and she will tell you that the joy of the new birth far outweighs the pain of labor. And as the scriptures indicate, the pain is quickly forgotten once the baby is born.

So it is with working your way out of debt. You will need to make sacrifices. You will do without some things. But the "pain" will be quickly forgotten, when you're debt-free. You can take the "easy way out", but you will feel much better...and be much stronger...if you choose the right way over the easy way. The right way is to work your way out of debt; and the best way to do that is to start a Debt Reduction Program.

There are many variations of Debt Reduction Programs and you may find one that better suits your needs and lifestyle, but here's what we did five years ago to get out of debt.

First calculate the amount of money you're now paying toward your debt. Next, determine how much additional you could pay toward your debt each month (when you finish the exercise in the last chapter you should find some areas you can cut back on to help reduce your debt). Let's say you increase the amount by just ten percent. If you're currently paying \$500 per month, increase the amount to \$550 per month. Put the extra fifty on the most expensive debt each month (the one with the highest rate of interest).

When that debt is paid, take the amount you were paying each month to pay off that debt and apply it together with your normal monthly payment to the next most expensive debt. For example, you're paying \$25 month on a \$400 MasterCard balance, you increase the amount to \$75 (the \$25 plus the extra \$50 you allocated to paying off debt); in a few months the MasterCard is paid off. Then apply the whole \$75 to your next highest loan, say your Department Store card. If you're paying the Department Store \$25 month on a \$250 balance, you'll increase the \$25 you're paying the Department Store to \$100 (that's \$25 + the \$75 you were paying to MasterCard) and in three months that card's also paid off. Now take that \$100 and apply it to the next debt. You keep applying the amount to each debt in succession; never reducing the total amount you're paying each month until you've paid off all your credit cards. Then start applying the amount to other loans and debts, like automobiles, furniture, etc. And finally, pay off your house.

Debt is the ultimate form of bondage. If you want to know the true meaning of freedom...get out of debt. You will be free to do whatever you want, whenever you want. It is absolutely exhilarating.

### **Here's Help If You Need It**

I've included a form on the next page that you can use as a model for your debt reduction program. It's simple and easy to use. Following the format...at the first of the month take out a sheet of paper and list your debts, interest rate, balance owed, and minimum monthly payment (you don't need to put them in order, just list them). After you have listed all your debts, take out another sheet of paper and re-list them in order of the highest interest rate first. Then just follow the program as laid out earlier. Determine how much additional you can afford to reduce your debt each month and add that amount to the first debt. Pay the minimum payments on the rest of the debts until the first debt is paid and then add the total amount you were paying on the first debt to the second debt...and so on. If you will do this, you will soon be debt free.



## **First Things First**

It should go without saying but I will say it anyway. The first thing you need to do to get out of debt...is stop going into debt. The greatest debt reduction program in the world will not work if you continue to amass more debt. Credit cards are the usual culprits. I'm not saying, nor would I ever say...as some do...cut up your credit cards. Credit cards are very useful and almost a necessity in today's society. You need them for traveling, for identification, and a myriad of other reasons. Having the convenience of credit cards is almost something we can't do without (I did say "almost"). But here's the rub. If you use your credit cards, pay the balance every month when the statement comes. If you don't have enough discipline to pay the balance each month, take the cards out of your purse or wallet and put them in a safe place. You can use them for emergencies or take them with you when you travel, but unless you pay the balance each month you will ultimately end up right back where you started...in debt.

You should know, making minimum payments of forty-five dollars a month on a twenty five hundred dollar credit card balance at twenty-one percent interest will take you forty years to pay off...FORTY YEARS! Increasing the payment by just five dollars a month reduces the time to ten years. That's still a long time to pay for that dinner you charged or the sweater you bought, but it's a lot better than forty years.

Make getting out of debt your highest priority. If you have to, put off the savings program and apply the ten-percent to your debt. The sooner you get out of debt, the sooner you get out of bondage. No one wants to be a slave, but like the scripture says, the borrower is the servant of the lender. As long as you're in debt, you're a slave.

Financial freedom is right in front of you. It's within your grasp. All you need to do is reach out and grab hold of the six principles I've just laid out for you:

**S**ave Ten Percent of Your Income.

**I**nvest Your Savings.

**M**ake Systematic Investments.

**P**repare For The Worst.

**L**ive Within Your Means, and

**E**liminate Debt.

It's that simple.

## CONCLUSION

*“Getting wisdom is the most important thing you can do! And with your wisdom, develop common sense and good judgment.”*

Proverbs 4:7 TLB

I hope you now understand how simple it is to become wealthy. Anyone can do it...all it takes is desire and commitment. Do you have to do it alone? Absolutely not! There are literally thousands of financial professionals available to help you. Some charge fees, some don't. Look in the yellow pages or ask someone you trust to recommend one.

If you have a lot of money or a complex situation, a Certified Financial Planner (CFP) or Chartered Financial Consultant (ChFC) may be worthwhile. If you don't have much money or you're just starting out, a CFP or ChFC is probably overkill.

Can you do it alone? Of course you can, THE S.I.M.P.L.E. WAY TO WEALTH gives you all you need to know to become wealthy...but having the knowledge won't do you any good if you don't put the plan into action. If you need help...get help!

There's an old adage that says, “Those who fail to plan, plan to fail.” Financial planning is not just for the rich. Anyone who wants to become wealthy needs a plan.

I've shown you the way...the S.I.M.P.L.E. way. I know it's not easy, but God never said it would be easy...only that it would be worth it. I can tell you from experience...it is worth it.

May God richly bless you on your journey.

## **ABOUT THE AUTHOR**

Ray Evans is a former Financial Professional and a past member of the National Association of Insurance and Financial Advisors. Although no longer active, he is licensed in Texas to provide a full range of insurance products, annuities, and mutual funds. He is also registered with the National Association of Security Dealers.

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