

From the author of *Building Wealth*

# BUILDING WEALTH 101



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PROJECT

# PREFACE

This book is meant to help you build a good life. I don't just mean financially, but with health and happiness as well, a life that is worth living. And while that doesn't always take a lot of money, knowing you are on the right path financially can help you to relax and enjoy the journey.

Your life is made up of choices, and the best of those choices provide further opportunities and enable you to strategize for success. You are never too young to start planning. In fact, starting early improves the chances of accomplishing your goal. There are a lot of people who plan only as far as the next vacation, or worse, the next rent payment. That kind of short-term thinking will undercut your chances of long-term success. I don't just want you to plan for your next major life event (marriage/home/family). I want you to plan for events twenty, thirty, even fifty years down the road. Small changes now can reap enormous benefits later.

Time really is money.

But as I said, it's not all about money. Your program should include steps that build a productive and healthy life. That takes initiative on your part. You can't run with the crowd, following the latest craze and diversion. Happiness has to come from you, from actively working to realize the vision you have for yourself. The key to happiness is living for a purpose.

You don't have to take my word for it. Books abound explaining the link between happiness and purpose, the good life and the productive one. I just want to make sure you and I are on the same page, so to

speak, and so this is my disclaimer: You are in charge of your choices. You will take my advice or not. You will map this material onto your own life as you see fit. Results may vary because you will vary over the course of your life. As time and circumstances change, it's important to face those new realities and analyze the situation to fit the future you want to live into.

Whoever you are and wherever you may be on your life's journey, there is something in this book for you. The interesting thing is it may not be what you expect. You may be in your twenties and think there's nothing in the section on "Refiring" that has any connection to your life right now. But I'm going to bet if you take a look, you'll find something about your purpose, your legacy, and other avenues you might want to pursue that could have an impact on how you live your life today. By the same token, there's sure to be something about developing the right mind-set that someone in their fifties may think is directed only at young people—but let me tell you, it's never too late to get yourself on the path to success. My hope is that you'll read the book cover to cover and then come back often to dip into the chapters that you need most at different points in your life.

I wish you luck. More, I wish you an amazing future.

Let's get started.

# CHAPTER ONE

## WHAT IS WEALTH?

This book was designed to provide fundamental concepts, and the most fundamental concept of all is: What do we mean by the term *wealth*?

You may think you know—and you’re partially right. You know exactly what wealth means to you today, at nineteen or twenty-two or twenty-eight. Maybe it means summers in exotic locations, or maybe it means having enough to not have to worry about rent, or maybe it means treating your friends to pizza. But I’m going to bet you’ve never sat down and figured out exactly what it could mean over the course of your lifetime. It’s a pretty safe bet, because most people never sit down to think about what wealth really means.

Wealth is not just money. It is the capacity to enjoy what we have without constantly grasping for more. There is a freedom to wealth, but it’s more than just the freedom of not needing to worry about how you’ll pay for the basics. It’s the freedom of living your life to the fullest.

For me, a key strategy that gave me the feeling of wealth even when my wife and I were living paycheck to paycheck was knowing we had a *plan*.

Let me backtrack a little. I want to provide you with a systematic understanding of the many possibilities for creating income so you can see the raw material you have to plan with. There are a lot of paths to

wealth, which is a good thing because not everyone will have the same opportunities. But one opportunity that is equally open to every one of us is deciding that we want to place a value on our future.

There is a saying that the world is your oyster. Unfortunately, too many people close their futures off and keep that oyster tightly shut by living for today rather than investing in tomorrow. If you want to live into a terrific future, you have to choose it. You have to plan for it. Choices and opportunities will change over time, but if you are mindful of the future, you can take advantage of whatever is available to you now. The other thing a plan provides is positive reinforcement. It will amaze you to watch your plan unfold, to reach your benchmarks. It will help you to enjoy the journey as well as the destination.

Aim high. Choose an arena you genuinely enjoy. I love real estate; I've loved it my whole life. When I was a kid, I read contracts to my mother, whose English wasn't quite up to the legal jargon, but whose brain could always see the possibilities and the pitfalls. You never wanted to be up against her in a negotiation. I loved managing apartment buildings, I loved fixing them up and keeping tenants happy, and I really loved the art of the deal when it came to financing the buildings. While I've done a lot of things that have worked out for me financially, I've only ever done things I was truly able to enjoy. It's been a lot of fun.

But that's me. I know people who would prefer to do anything else with their life rather than be a landlord. They have other skills they'd rather use to build their financial future. They became lawyers, doctors, writers, artists, entrepreneurs . . . although these days, *everyone* is an entrepreneur. The time of putting your financial well-being into the hands of a single employer from high school to retirement is long gone.

This is the first mind-set shift you need to make: You are one hundred percent responsible for your career and your financial future. You are both the CEO and CFO of You, Inc.

## Having the Right Mind-Set

There is an old phrase that I learned as an accounting major:

“Gobbledygook going in will result in gobbledygook coming out.” What the accountant is saying is that if information is poorly entered into the books, then the records will come out incorrect. I understand that computer coders have co-opted it in recent years, but the sentiment predated programming. In fact, human beings have been grappling with this idea for centuries: You are who you are because of the choices you make.

The more you grow as an individual and the better the decisions you make, the more you will build not only your future, but also your character. Start by assessing where you are right now, today. Do you want to be in a production industry? A service industry? What are your talents? What kind of people do you want to spend your days with?

Now, who do you want to be?

Without doubt, you have a lot of terrific traits. You’re smart, you’re inquisitive, you’re resilient, you’re loyal, you’re thoughtful . . . I could go on and on. You are many wonderful things. Go ahead, write them all down.

Equally without doubt, you have some issues. I can say this with complete confidence because you are human. You might procrastinate or give up on yourself or others, or walk into a room with anger rather than curiosity. But the more you utilize your positive strengths, the more opportunities you will be able to take advantage of.

Really think about who you want to be in the world. Is there someone you admire? Someone successful whose path you might want to emulate? I don’t want you to think about them in terms of the opportunities they had, because your life is different; even the world is different now from when they started out. Rather, I want you to think about their attitude. How do they approach business? Life? Other people? Adversity?

How do you approach these things?

Take a minute to see yourself as other people see you. Where can you adjust your attitude to match the kind of person you wish to be? For instance, let’s take how you approach a setback. If you see it as unfair or as a personal attack, or as the forever end of all your hopes and dreams, you will shut down. That setback will cost you so much

more because you won't be able to bounce back. But if, instead, you decide to see each setback as temporary, as an opportunity for you to be creative about getting around it, or as a chance to learn and grow, you'll be open to feedback that can only improve your chances of success next time. You will see secondary opportunities that you had missed the first time around. Most of all, by behaving with dignity and determination, you'll maintain relationships that can help you in the future. Be someone other people want to work with, someone other people want to help, because they see you as someone who will be able to help them in return down the road. You can build your network through adversity as well as through success, but only if your attitude is professional, competent, and respectful.

You also need to have a plan. Where do you want to be in the future? Have your destiny fixed in your own mind's eye and see it clearly. See yourself succeeding beyond your wildest dreams. What does it look like to have all your goals fulfilled? How will you feel? Think about the many challenges you had to overcome to reach your goal. Feel proud of yourself for having overcome all of them.

Now look back to today. You have a goal firmly in place and you can still picture how amazing it will feel when you have achieved it. How are you going to get there? What's your first milestone? What are the challenges that are either already upon you or might come up in the future? Really think about the obstacles you might face. Don't let them deter you; rather, come up with a plan for how you will overcome those challenges.

For instance, a lot of financial advice centers on having savings to cover six months of unemployment. That may seem an impossible goal, or it may seem to be a safety net you'll never need. But the benefit of having money socked away isn't just that you may find yourself unemployed. Knowing you have that safety net can free you to make better decisions. You don't have to stay stuck in a terrible job or an unsafe living situation if you have enough savings to smooth over a temporary change. Knowing you have a choice allows you to make a *good* choice, a choice to invest in yourself and your future. In the same way, planning for challenges and obstacles, and putting safety nets in place to offset

those possible problems, will free you up to see opportunities and make good choices because you're not living in fear. You have a plan.

One important safety net is your network. Your relationships will help you find and succeed at jobs and will be there for you as references, sounding boards, and resources. There's some validity to the idea that you are the sum of the six people you spend the most time with. I'm not saying you should ditch your friends, but I am saying be aware of spending time with people who support your goals. You will all rise together, helping each other, working together, introducing each other to yet more people who will support your future. Make sure you are always developing new relationships with people in your field (or the field you want to be in), and ideally develop relationships with people a little further along on the journey than you are (more on how to do that later). What you will learn from them informally is priceless.

You also need to be the kind of person they want to hang around. Make sure your friends and associates respect you as a person. Be someone they can respect, and surround yourself with people you genuinely respect. Contempt is a relationship killer.

Another part of the plan needs to be your education. I'm not just talking about high school and college, although today it's hard to break in anywhere without a degree. Here are some different ways you need to be on top of things:

- Educate yourself about your field. What are the trade journals, what websites do people in the field read, where do they get their information on the state and future of their profession? Read those.
- What are the professional organizations that people join? Where are there in-person meetings or online groups? Can you join as an aspiring or new member of the profession?
- What skills do you need to succeed? Where can you learn those skills, either online or perhaps at a local community college? In person is always better because you will meet a professor and



other students in your industry. This is a great way to expand your network.

- Keep an open mind and be on the lookout for anyone who can help you better yourself in your field. Be willing to do the grunt work necessary to prove yourself and learn how the business actually functions. Sometimes, taking a job as an assistant is as good as getting a graduate degree—even better, if you're the one making appointments and taking notes in meetings. You will get to know all the players personally, as well as seeing firsthand how decisions get made.

Don't be afraid to be a beginner. You don't have to know it all; listen to other people's views and advice. Be patient. To be a leader, you need to follow first.

You also need to be willing to buck convention. Without being foolish, take the time to look at the other side of things; when the whole world is reacting one way, consider the opposite. The great example of this is the stock market. When everyone else is going crazy and selling off their stocks, if you can keep your head and instead buy when stocks are low, you will make a fortune in the long run. Advancement comes by breaking through the status quo, thinking of new ways to tackle old problems. Our great thinkers and inventors continually broke the mold. How crazy was Leonardo da Vinci? He designed a helicopter during the Renaissance! How crazy were the Wright Brothers to think they could do what no human being had ever done (other than Icarus, and we know how that turned out) and fly? And yet few are more revered for creativity than Leonardo, or for the results of their invention than Wilbur and Orville Wright. Be inventive in every part of your life, your career, and your business. It's not just a key to success—it's also a lot of fun.

Your culture also has an impact on your core values and even what you believe is possible. The United States of America has developed its own code, including a rugged individuality straight out of the Wild West, but coupled with a core value of morality and fairness. We strive not to leave anyone behind. We also believe in level playing fields and

opportunity in abundance for any individual to pursue the life they want.

Life is change; what's important is to face those changes from a foundation of values that you subscribe to and truly embrace. Everything will continue to change: technology, our political system, the economy, even our social structure. So much has changed in my lifetime alone. The key for you is to cope by reacting to change head-on. Understand your values and move forward with focus and a belief that change represents opportunity. If you are honorable and working toward the good of your family, your neighbors, and your country, then what you are doing will help make the changes good for everyone.

## **What They Should Teach You in School (But Don't)**

Unfortunately, as society and our daily lives have changed, our educational system has not kept up the pace. For the most part, you learned the same things I learned when I went to high school—and it's going to be about as useful to you, which is not saying much. Even college may not offer much in the way of practical education. Without completely dismissing the importance of knowing how to read, write, and count, I must point out that there are so many other critical life skills completely ignored by schools. Chief among them is financial planning.

There are basic budgeting practices that are the foundation for building a solid future. You need to know how to write a check. And while online banking gives you a daily snapshot of your bank accounts, you still need to make sure that more goes in each month than needs to come out. Math is a particularly useful skill when you're totaling up your obligations—rent, utility, student loans—and matching them against your income. Let's hope you never need that lesson on negative numbers.

Since school is not likely to prepare you for life, you're going to need to learn financial skills on your own. Upcoming chapters will include budgeting, credit cards, home loans, and saving for retirement, among a lot of other things. But turn on your antenna now and be on

the lookout for anything that can help you gain foundational financial skills. Read the finance section of your local newspaper. Listen to a podcast on financial well-being. Talk to people who have made money in different ways and ask them about their financial strategies—and about their mistakes. That kind of learning is priceless.

Schools should also do a better job of preparing students for a career. I don't just mean in terms of hard skills, but also career planning. I have given presentations at several high schools and met hundreds of high school seniors. I talked to them about making career choices, and it broke my heart to see that they were not prepared. Many had no concept at all of how to make career choices. It killed me to watch young adults move into dead-end positions. I was driven to try to find a way to help.

I made it my job to contribute in a practical way whenever possible. I went to JCPenney and bought kids the right clothes for an interview. I gave them training in how to apply for a job and interview well; I even set up some interviews for them. But one of the most important things I did was to develop a questionnaire to help them see what choices they had and where their aptitude might best fit. I'll talk more about that in a minute.

Now, ideally, this kind of thing is done in high school, with your college counselor, or in college with a career advisor. The fact that I was the one doing it spoke to how overwhelmed our schools are and how ill-equipped they are to help the hundreds of thousands of students who go through their doors every year. But one of the many things I've learned in life is that you should always be on the lookout for good information and how you can learn from others. Seek out people who can help you clarify your vision for your future, both in school and in the world. Is there someone whose job sounds interesting to you? Ask them to talk about it with you. How did they get into it? What skills did they need to learn? What do they enjoy about it? People love to talk about themselves! Let them give you a glimpse at a possible career for yourself.

Back to the questionnaire. I didn't do a formal, bubble-in-the-answer questionnaire; what I did was sit and ask questions and listen.

I can't do that for you right now, but I can let you in on the kinds of questions you should be asking yourself—and you don't have to be a high school senior to take it, either. Start wherever you are.

- Take stock right now. How old are you? Are you employed (full-time or part-time)? What do you like about your job? What about friends and siblings? Who has a job, what kind of job is it, and do they enjoy it?
- Let's look at where you came from. Growing up, what did your parents do? What about your aunts/uncles/neighbors? Don't underestimate how important it is to know people who do different jobs. There's a reason children go into the family business: It's what they know. But it may not be the right business for you. The more contact you've had with people in different professions, the more your imagination can offer you different possibilities for your future.
- What standard of life do you want to have? Be specific. "Rich" means different things to different people. Think about it in terms of doing work you love and not having to worry about money. What would that look like? How much would you have to bring in every month for that lifestyle to be possible for you?
- What career do you envision for yourself? If you're not sure, what work do you see yourself doing and enjoying? How can you contribute to the world? Do you know anyone who works in that field? Who can you reach out to and ask about their career paths?
- What skills do you have? What skills do you need? Education—and I'm talking about knowledge that is beyond what you learn in high school and college—is the game-changer, and there are so many ways today to learn things, both online and in person. Make a list of skills you need and find someone

who can teach you, either in a school or online setting, or by watching someone who already has that skill. Don't discount "soft" skills; coding is good in today's world, but people skills are just as valuable.

One more time, let me underscore the value of an education. No matter what field you're interested in, someone is out there teaching people how to get better at it. If you don't commit to lifelong education and start today, you are forever curtailing your chances. Ambition is good, dreams are great, but you have to be willing to put in the work, and at its most basic level, that means learning the ropes.

I also talked with students about grooming and interview attitude. The short version is this: You want to look like someone who already has the job. They need to be able to envision you in that position. Get a haircut. Look professional. Be polite. Know what you would be able to contribute to their organization. No one is going to give you a job because you need one; they're going to give you a job because they need you.

Why am I focusing on this? Shouldn't this book be all about the secret sauce to becoming wealthy? Here's what other books won't tell you: The actual secret sauce isn't a secret at all. *Have more money coming in than going out.* That's it. When you have more money coming in, you can try new things, invest in yourself, make mistakes, and leverage small amounts to create large amounts.

The problem isn't that there's a secret to building wealth; the problem is that the real path isn't glamorous! It's not betting on the stock market or turning around a failing business. Although both of those things can lead to wealth, they're an end game, after years of experience, failure, and learning by doing. They are not shortcuts. No, the real secret is having the ability to move up in your career and the freedom to choose an even better career when you find one. That takes a level of security that comes from having more income than outgo, month after month.

Don't go into a dead-end job. If you need the money, take a job on weekends or at night, but do not get sucked into a full-time job that

pays just enough to live on with no real opportunity for advancement. Spend your days in a job that offers you a future, or in getting the training you need to get to that next step on the ladder.

I realize this is a complicated choice. Sometimes, the need for a job seems overwhelming and you will take the first thing you can get. If that has happened to you, don't despair. You can build your way even out of a dead-end job. You have two options: Spend less or earn more. Either way, you can build a financial cushion that will allow you to take steps to improve your situation. Budgeting and second jobs (or side hustles) are both covered later in the book. When you do both of these things together, you can transform your life.

Finally, getting a job is about more than just having money to spend. Yes, it's very important that you have a reliable income, and a steady paycheck can also help you create savings that will in turn help you leverage your resources toward building greater wealth (more on this later). But having a job is also critical because it reminds you that you are employable—that you can always get another job, a better job, a more interesting job. I've quit several jobs in my life, and I always left without the slightest worry of finding another because I knew I had skills and relationships and I could always land another job. Talk about freedom! Knowing you will always land on your feet gives you the freedom to improve your situation. Even if you decide to stay in a less-than-perfect job, the decision comes from a place of strength, which means you'll do a better job, make better contacts, impress those who are higher up the ladder, and continue to grow in a way you wouldn't if you felt imprisoned by your day job. We've all met people who hate what they do and yet don't make a change. It's not the kind of life you ever have to live. Because you hold the keys to your own future, you can always make a better choice.

This is one of the ways in which this book is for more than just those who are starting out in life (although I see you, and I believe this book will help set you on the right track). Many of the things I talk about are applicable at almost any point in your life. In fact, I talk about refiring your work when you hit midlife and become bored with your career; I cover investing in the stock market, which is a

smart move no matter what your age; and I discuss what makes life worth living and how you want to be remembered. No matter if you're eighteen or eighty-one, this book offers counsel as you reshape your destiny and redirect your energies. Life is full of surprises, including many new opportunities for you to develop, if only you keep a lookout for them.

# CHAPTER TWO

## LEARNING TO BUDGET

Let me start by saying that everyone has their own comfort level, their own baseline for how they want to live day to day. We are influenced by so many things—where we live, how we grew up, what our friends and neighbors and siblings have, and even what we see in magazines, on TV, and on the internet. But here's the thing: The way we choose to live today has a lasting impact on our future. It's not that I don't want you to have a nice car or expensive shoes. I just don't want you to trade your future security for it.

### It's a Good Life

It used to be that we had little to no choice in our career path. For most of history, we lived a life we were born into. We worked the farm, followed in the family business, or married the boy next door. Our destiny was to a large extent determined by the circumstances of our birth. Today, we can influence our future to an extent that even our great-grandparents would have found astonishing. But with that freedom comes responsibility: the responsibility of making good choices.

The key word here is *choice*. Good choices will keep you from falling into the abyss of living paycheck to paycheck. Many times, I



have seen people earning the same salary that I did, but living totally different lifestyles with bigger houses, newer cars, and higher levels of debt. And let me tell you, with debt comes regret.

In fact, there are two different kinds of debt: good debt, when you're leveraging other people's money to create value and wealth; and bad debt, when you trade tomorrow's security on something you want today.

Good debt is something we're going to talk a lot about later. Right now, I'm interested in bad debt, and in helping you avoid it.

You can't live the Good Life if bad habits take control. What do I mean by the Good Life? It's when you prosper financially and you have something to show for it. It's the security of knowing that even if something terrible happens, you won't end up on the street. I mean this quite literally. We stretched ourselves financially, my first wife and I, in order to buy a multi-unit apartment building, but if something had gone wrong—if we weren't able to fill enough units to meet our debt payments, for example—we always could have sold our house and lived in the building ourselves. It wouldn't have been ideal, but it also wouldn't have been terrible. We wouldn't have gone bankrupt, we wouldn't have lost everything, we wouldn't have ended up on the street. We had young children, so no matter what our ambitions, we couldn't risk their well-being. For us, real estate provided a path to wealth while at the same time giving us a built-in safety net if things went wrong. The freedom to go big comes from being creative and figuring out a way to risk a lot without risking it all.

You also need to be creative in how you solve problems. For instance, at one point, I had two problems. First, I had an apartment building with eighty-eight residential units and five shops on the ground floor. One of those shops, I just couldn't rent; it was empty and it stayed empty, and that wasn't good for the location or for my bottom line. My second problem was that I had a terrific manager, one I wanted to keep, only her boyfriend was out of work. And then a third problem popped up, one that had an impact on how easy or difficult it would be to rent my apartments: The local grocery store closed. So here's what I did. I bought the guy's grocery store, all his fixtures and remaining inventory, and moved it into my empty storefront unit. And I hired my manager's

boyfriend to run the place. He didn't have any experience in retail, and obviously the grocer himself hadn't been able to make enough money to keep going, so how would we do better? By being smarter.

I realized that people came home hungry; they wanted prepared food that was easy to grab and go. So we added simple stuff—hot dogs, barbecue, rotisserie. It took an investment of a little more equipment, but everyone ended up happy: my tenants, my manager, and my bottom line, as rent was now being paid from the grocery store's operating budget. Did I make money on the grocery itself? No! I took a loss there, but I kept my wonderful manager, my tenants were happy to have a grocery store so close, and I got rental income out of it. It was a creative solution and part of a bigger picture. Always look to see how you can make the best with whatever you have going.

## Creating Your Own Safety Net

Think about what it will take for you to create your own financial safety net.

Step one: What is the bare minimum you could live on and be okay? Not go hungry, not live in your car, not put at risk anyone who depends on you?

Step two: Now that you have that figure, how can you build in a safety net so that your minimum requirement is never in danger?

There are a couple of ways to do this. The first is to build an emergency fund. Everyone suggests that you do this, and for good reason. This is cash you can tap into when things go south—and they will. In everyone's life, things go wrong. When I was young and dabbling in the stock market, I had my entire investment wiped out one day. That was a hard lesson, but it was a lesson, not a disaster, because I hadn't invested more than I could lose and still survive. (Let me give another plug here for the day job, which meant I still had money coming in.)

The other reason to work on building an emergency fund is so you'll start developing the habit of saving. Putting your money away not just to prevent disaster, but also to build a fund that will allow you to start investing in your future—that's priceless. But it takes dedication, and

you can begin to develop that muscle today by setting money aside in a rainy day fund. Start small, but start.

How can you start today? You could get a jar and stick five dollars in it. I'm not kidding. Go without a latte, take the bus to work instead of gassing up the car, do whatever you need to do so you won't spend that five dollars today. (And don't just put it on your credit card. I'll talk a lot more about credit cards later, but for now, let's just call it cheating.) But better than money in a jar is money in the bank. It requires thinking to put money in a jar—and willpower not to take it out—but setting up an automatic transfer from your checking account to your savings account is a no-brainer. Set it up to put aside money every time your paycheck gets deposited so you never see that part of your paycheck. It trains you to live on less than you make, which is an important first step, and it builds that all-important savings account passively. A bonus, birthday money, a windfall—all of those should go into your savings account, not your checking account. You're not buying the latest electronic gadget with it, but you are buying your future.

Another way to build your safety net so your minimum requirement is never in danger is to develop good spending habits. Bad spending habits will undercut you at every turn. If you borrow today, assuming you can pay it back when you get that bonus or that pay raise or commission, I guarantee that not only will you overspend now, but you will also find that the bonus/raise/commission will only cause you to spend even more. Either your baseline outgo is below your income and you're fine, or it's above your income and you are in serious trouble. Train yourself now to spend less and you will be rewarded throughout your life.

Because here's the thing about the Good Life: It's not about what toys you have. It's about financial prosperity, feeling secure about the future, knowing you can take care of yourself and the people who count on you. There are lots of fun things you can do for free—going for walks, hanging out with friends (potlucks, not restaurants!), reading books and watching movies that you borrow from the library, not to mention taking advantage of free community events like concerts and parades. The truth is, living the Good Life isn't nearly as dependent on how much comes in as it is on how much goes out.

## Good Life, Good Health Budget

The other part of the Good Life is to have good health and stay energized. Your effectiveness for everything depends on your health. Taking care of yourself means that you can take care of others—and take care of business.

When you're young, you think you are indestructible. In fact, studies suggest that your brain doesn't even learn to assess risk properly until you're in your mid-twenties. So I guess it's natural that you think you can eat, drink, do drugs, and carry on with destructive behavior because it seems to you that your young body tolerates bad choices. But it's really not that your body is able to tolerate abuse. Rather, just like a credit card, your body is keeping track of bad health choices, storing them up and presenting you with a staggering total later in life.

People knew smoking was bad for you even when I was a young boy. I remember we were told not to smoke, that the consequences would include shortness of breath and that our growth would be stunted. Nevertheless, both my brother and my dad ignored this advice and just smoked away. Later in life, they could not break their smoking habit. Both died of smoking-related issues. So I won't lie—this one is personal to me. New ways of smoking such as vaping and e-cigarettes have also shown harmful long-term effects. Do yourself a favor and don't start; if you have started, do everything you can to quit now. Don't subject your body to toxic smoke and your family to both secondhand smoke and the pain that comes with losing you to a preventable illness.

Drugs, even when prescribed, can lead to a dangerous outcome. Every few years one drug or another is shown to have resulted in unintended consequences, and I'm sure I don't have to tell you the toll opioids have taken in the last decade. And these are the legal drugs! You must be careful in the use of any drug. Safeguard your own health; we've learned the hard way that even doctors won't safeguard it for you.

Really, the key to all of this is that everything should be taken in moderation. It used to be that we worked hard on the farm and got plenty of exercise just getting food on the table—and that food was mostly fresh, not full of salt or fat or all the chemicals they throw in it today. Replicate that if you can. Don't fall into the trap of thinking

that being wealthy means eating rich food and lounging around all day, every day. That leads to obesity and diabetes, not health, wealth, and happiness.

Create good habits with your health just as you create good habits with your money. You need both. Not to mention the fact that a lot of health killers (cigarettes, drugs, too much alcohol or rich foods) are expensive. You already know what you should be doing, and I'm not a doctor, so I'm not going to give you that kind of advice. Here is the advice I will give you: Don't throw money at getting and staying healthy. In fact, make it a game.

Where your health "budget" and your financial budget interact is when improving your health either helps you save money or costs you money. See how much you can do to improve your health without spending a dime. Go for morning walks, meditate on a cushion from your couch, do push-ups, dance around your house. I know one woman who took charge of her healthy eating by cooking herself a fresh meal every night. She didn't have a lot of money and had to limit her salt intake for medical reasons, so she decided rather than eat out or order in, she would make cooking her hobby. She would find a new recipe, stop at the store on her way home from work, and cook something fun every night. It taught her a skill, gave her something to look forward to, and improved her health at the same time. Make it a game, one that reflects your own personality, and play it to the hilt. You will reap the rewards of good health for the rest of your life.

Okay, let's get down to the nitty-gritty.

## **Financial Budget**

Not having a budget is like traveling without a map. Guessing will not get you to your destination. No matter what size your paycheck may be, you will never be sure where your money is going without a budget.

So let's take a crack at it now. At the end of this chapter is a worksheet for you to plug your numbers into. There may be things here you haven't considered.

The trick here is to make sure that 1) the expenses are equal to or less than the income, and 2) every month, you are putting some money into investments. That's where your future lives.

The point of this exercise is to show you things you probably don't even think about. Home ownership includes homeowner's insurance and property taxes. Transportation is car payments, car insurance, gas, and maintenance. Food is both groceries and eating out. You may find other expenses you have on a regular basis that you need to include; you can finesse the budget over the next few months. And look how I didn't include any money for entertainment! Remember, my default is to go for free entertainment. When I was just getting started, my wife and I watched a lot of television! Not cable, either—just free, over-the-airwaves TV. Cut discretionary income wherever you can. The point is to start somewhere.

Start by keeping track of exactly where your money goes. Look at your bank and credit card statements for any recurring charges. Pull out all your receipts. Don't judge, but do gather data. Get as complete a picture as you can of three to six months' worth of expenses and average out from there. Yes, this will take some time, but consider it an investment in your future. You can't move forward if you don't have a grip on where your money goes, and most people are surprised to find out what is really happening with their money.

Remember that any budget can be adjusted over time. As you read this book, I hope you'll adjust some of your expenses as well as your income. You can prepare a fresh budget as both your situation and your goals shift. Later we will talk about your investment account, that next step beyond the "rainy day" savings account. The old adage "It's not what you make, but what you keep" is so true.

I love budgeting. Remember how I suggested you make staying on a budget a game? Keeping a budget is like a scorecard, and these stats keep you in control. At first it's bothersome, but as the habit sets in, it becomes second nature. The result of actually looking at where you put your money and deliberately living within a budget will change your perspective on what is worthless and what is really valuable.

# BUDGET WORKSHEET

**YEARLY TOTAL**

## **INCOME**

MAIN JOB	
SIDE HUSTLE	
<b>TOTAL INCOME</b>	
LESS INCOME TAXES	
<b>NET INCOME</b>	

## **EXPENSES**

LIVING EXPENSES	
RENT/MORTGAGE	
PROPERTY TAXES	
TRANSPORTATION	
CAR INSURANCE	
RENTERS/HOMEOWNERS INSURANCE	
MEDICAL INSURANCE	
UTILITIES	
FOOD	
CLOTHING	
REPAYMENT OF COLLEGE LOANS	
<b>TOTAL LIVING EXPENSES</b>	
INVESTMENTS	
EMERGENCY SAVINGS	
LIFE INSURANCE	
CHILDREN'S COLLEGE TUITION	
IRA	
MISCELLANEOUS	
<b>TOTAL INVESTMENTS</b>	
<b>(TOTAL LIVING EXPENSES) + (TOTAL INVESTMENTS) = TOTAL EXPENSES</b>	

**NET INCOME MINUS TOTAL EXPENSES SHOULD EQUAL ZERO**