ORDINARY MILLIONAIRE

7 Secrets of the Happy, Healthy and Wealthy



WOUTER SNYMAN

and other Industry Experts



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ABOUT THE AUTHORS

The Ordinary Millionaire is a unique collaboration by a number of financial advisors from the attooh! Group of Companies, combining their expertise under the leadership of Wouter Snyman to produce a book packed with financial wisdom. This is relevant for every individual wanting to embrace the philosophies shared and steps highlighted to walk the journey to financial independence. attooh! is one of the fastest growing financial services firms in South Africa and was recently awarded the coveted title of Number 1 Financial Advisor group in South Africa by Discovery.

Wouter Snyman, founder and CEO of the Attooh! Group of Companies, has more than 23 years' experience in the financial services industry and headed up various divisions in the Banking and Insurance sectors for world leading companies such as Standard Corporate and Merchant Bank as well as the Discovery Group. Wouter qualified with a BCom Honours degree in Investment management and various other Industry qualifications.

Wouter is well respected in the industry as a thought leader and innovator and in addition to The Ordinary Millionaire also wrote the #1 Amazon Bestselling motivational and goalsetting book, "Would Driving a Porsche Change Your Life?".

Wouter was recently awarded the Titans – Building Nations award for Business and Professional services in South Africa and SADEC countries. This award recognizes Africa's Most Influential People in Business and Government and Titans Africa for influential business leaders who are advancing African economies and communities.

In addition to being a serial entrepreneur, Wouter is supported by his beautiful wife Annelie and two children, Anchen and Wernu. He relaxes by reading a book a day, is an avid Springbok supporter and all things sport.

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

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PART 1

BEING HAPPY

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INTRODUCTION



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

When you think about your retirement position, is that the by-line to your life or does it make you just a little nervous, fearing that you too, might fall into the above category?

Some statisticians say that less than 5 percent of people worldwide will have the ability to retire financially independent. That literally means that in a room of one hundred people only five will be able to live a comfortable life once they retire.

As Financial Planning Experts, most of the people that we encounter on a daily basis fall into the 95 percent category.

The contents of this book, and its supporting videos, webinars and seminars are a collective effort of a niche group of Financial Planning Experts. Our combined experience spans decades in this industry, and likewise our financial services firm, the attooh! Group of Companies.

We are here to help and educate you, and to guide you along with the secret steps to take on your journey to financial independence.

Our aim is to help you get to that "Ordinary Millionaire" status and more importantly, to enjoy life as one of the few who have grasped the secret to financial independence and attained the state of "Happy, Healthy, and Wealthy."

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SIX CRITICAL QUESTIONS FOR YOUR SUCCESS

As an introduction to this book we want to make sure we get you off to the right start. A lesson we learnt from T. Harv Eker, bestselling author of "The Millionaire Mind" and Marc Benioff, the founder, chairman and CEO of salesforce.com, answers the following six questions, to get you on the fast track to creating your ultimate life of Happiness, Health, and Wealth.

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

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

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

Your 'why' is your reason, your 'why' is your motivation, your 'why' is the emotion behind your 'what' and without emotion there is no energy to make the changes necessary to achieve what you want.

Author Jim Rohn said, "The bigger the WHY the easier the HOW." In other words, if your reason is important enough, it becomes clearer and easier to see and develop your plan of action.

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

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

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

Without a plan we will not succeed. The good news is that your plan or strategy does not need to be perfect, it is merely the starting point to a new direction, and you will most probably need

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to make some corrections on the way to your new destination. By the way, did you know that a Boeing flying from OR Tambo in Johannesburg to Cape Town International will be off course almost 90 percent of the time? The reason the pilot lands safely, and on the right landing strip is because he constantly makes flight corrections to get his passengers to the correct destination.

Question Five: What's the first ACTION needed for you to get going? Once we know what we want, why we want it, why we haven't got it yet, and what our plan is, then we just have one thing missing to get us closer to a result. That is simply taking action. Many a great dream or goal has never seen the light of day because it remained just that, a dream!

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

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

This book that you are about to read, with its 7 secrets to becoming happy, healthy, and wealthy will hopefully transform your life! It is the collective wisdom of a number of Expert Financial Advisors in the attooh! fold. We hope to give you the tools you need to make your life better, and furthermore, offer you the building blocks to achieve success and realise freedom.

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

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

- Jim Rohn

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HISTORY OF FINANCIAL PLANNING

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

- Merton Miller

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

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

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

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

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

THE PROBLEM

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

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

FAST FORWARD TO 2015

The average retirement age today is still between sixty-five and seventy, with one major difference, at the turn of the twentieth century, the average life expectancy of a South African adult was around forty. Today, that life expectancy is increasing almost as fast as medical technology advances! If you are forty today, you have more than a 60 percent chance of living until your nineties. The oldest South African has already passed the one hundred and ten year mark. Which means that they would have been in retirement for more than forty-five years, which is more than their productive economic life of around forty years.

The statistics are certainly not in our favour! We are still relying on a system designed more than a century ago, based on a life expectancy that is almost less than half of today's! No wonder 95 percent of the population has a slim chance of ever retiring comfortably!

THE ALTERNATIVE

Considering the above information, it should be very clear that we need a new approach to becoming Ordinary Millionaires, and embarking on the journey to Financial Independence. With this knowledge at hand, I think we can agree that the idea of a comfortable retirement is probably out of reach for most, which is why we would far rather discuss the method by which to become financially independent, and we will get to that in more detail in just a bit.

THE CORE PURPOSE OF OUR BUSINESS

We define the core purpose of our Financial Planning practice as "We make ordinary people Millionaires and make Millionaires Financially Independent."

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

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

- Coco Chanel

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HOW DO I BECOME AN ORDINARY MILLIONAIRE?

So a quick question: "Are you a Millionaire?" Whenever we pose this question, most of our clients will respond with a categorical "No!" Our core purposes' first component of "Making ordinary people millionaires" has nothing to do with your wealth status, but mostly about your "mindset" on wealth, i.e. are you living an abundant minded life versus a poverty minded one?

Consider the following question for a moment, "Steve Jobs was reportedly worth \$8 billion at the time of his death, how much of this money do you think he would have given away to spend more time with his family, loved ones and business?" I am sure you and I are on the same page, and that is that he would have given away everything he had, to spend more time with his loved ones!

Considering that you and I are still six feet above the ground and not below, we in the Steve Jobs analogy, still have time to spend with family, friends and loved ones. We are worth billions, not just millions. We just need to recognise the fact that we have so much to be thankful for, versus focusing on the things we do not have in our lives when comparing ourselves with the rich and famous.

Further on we will deal with the concept of money psychology, which will most probably be the most important part of this book for you to grasp, considering it is the least focused on subject with the biggest impact on our financial lives.

In addition to the above, one of the critical things that you need to understand is that the elusive '5 percent club' that get to experience financial independence do not necessarily have a higher IQ than the rest of us, or have the proverbial silver spoon in their mouths, it has to do with them taking serious ownership on their journey to independence.

As much as we are a financial services company helping individuals with their financial planning, we are of the firm belief that you cannot outsource your retirement planning to anyone else but yourself. It is the same as hiring a personal trainer, who can guide you to physical well-being but you still need to get up, go to the gym and do the training.

If you are lucky you will have that person's guidance for five hours out of a weekly total of one hundred and sixty-eight hours, and then you still have to continue your physical wellness journey on your own for the other one hundred and sixty-three hours.

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

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

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UNDERSTANDING YOUR LEVEL OF CONSCIOUSNESS

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

Let's explain...

Whenever we tackle a new task we start off by being Unconsciously Incompetent – we don't know that we don't know. As a child, most of us would sit in a car watching our parents drive around and had the perception that it is easy to drive a car. Then we move to the Consciously Incompetent level – we know that we don't know. Irrespective of your level of confidence or childlike ignorance, the first time that you get behind a steering wheel it takes about twenty seconds to get to this level, and if you were anything like most of us, your mother, too, very quickly got out of the car to save her own skin!

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

The last level of consciousness is when a skill becomes second nature - Unconsciously Competent. This level typically occurs after lots of training and hours spent behind the steering wheel. This is where you get to a certain level, when arriving at point B you wonder whether you stopped at all of the traffic lights.

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

Starting your financial independence journey is pretty much like planting a tree. According to an old Chinese proverb, "the best time to plant a tree is twenty years ago and the second best time is today."

Do not waste one more second, start taking ownership of your journey today! Part of taking ownership is making sure that you learn more about this concept of financial independence.

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

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

Having a bank balance exceeding a million rand doesn't mean that you are financially independent either. Given the interest rates that you could earn on your bank balance these days, very few people would be able to survive on the return of a million rand.

Consider this, if you invest R 1,000,000 at the current rate of return you would generate a monthly income of approximately R 6,000 after tax. Could you survive on this? If your monthly expenses are less than R 6,000 then you would be one of the few that could claim financial independence, but if, like the rest of us, your monthly expenses exceed that amount of return, you would not be financially independent.

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

SO WHAT IS THE SECRET TO BEING TRULY FINANCIALLY FREE?

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

- Christopher Marlowe

The aim should be multiple sources of income, each one being enough for you to live on. That way if one source is eliminated you still have others to fall back on.

Most people that we know whom have attained this status make most of their money by practicing a single skill within a single industry, in other words, they focus on their core strength, and eventually end up developing numerous sources of income.

Mark Ford, a master wealth builder, once said this about multiple incomes: "Many Master wealth-builders that I know enjoy a dozen sources of income. Some are modest, some amazing. That's the great thing about creating cash flow. Although you never know what will happen with any individual income source, if you get enough of them started, one will turn into a river."

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

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

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

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

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

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

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

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

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

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

Considering that this book is in essence about the journey to becoming financially independent, we wanted to share some insights to financial independence before we get into the 7 Secrets of the Happy, Healthy, and Wealthy.

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

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

Sounds simple, right? Wrong!

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

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

"Do what you love and the money will follow."

- Marsha Sinetar

THE CONCEPT OF RETIREMENT HAS CHANGED!

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

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

COLLAPSE OF THE THREE-LEGGED STOOL

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

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

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

REDEFINING RETIREMENT

In the face of all these challenges, people still have to retire, and if they are to survive, they will

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have to redefine retirement. It's no longer a simple matter of a gold watch and a pension fund, that makes a happy retirement.

A few generations ago, people would commonly move in with their children at retirement. But today relationships are far different, it takes two salary earners to get by and in many cases this means that no one is at home to offer care to elderly parents, and often during retirement professional nursing care is required. So Grandpa and Grandma have to make it on their own for twenty-five, or more, years than expected. That is long enough for inflation, even at a conservative rate of 6 percent, to devastate their nest egg.

If you apply an inflation of just 6 percent to a monthly income of R 20,000 the "buying power" of the R 20,000 is reduced to R 10,772 after just ten years, and to just R 5,802 after twenty years – without proper provision your money WILL run out!

IT IS ESSENTIAL TO START PLANNING FARLY

Years ago when we started our financial planning practice and we started working with clients, helping them control their money as opposed to their money controlling them. We have learned valuable life lessons because people are so susceptible to making mistakes that they let money fall through the cracks. Over time, their investments dwindle. By the time they realise their mistakes, it is often too late!

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

There are numerous reasons why people are resistant to the idea of Financial Planning and as a result, do not engage in the Financial Planning process:

- Not understanding that Financial Planning is not only about purchasing or investing in financial products, but it is also about the development of a financial plan which will assist you to achieve your financial goals;
- People are often ignorant of the reasons for the need to engage in ongoing financial planning through a process of monitoring and review;
- Many people are facing mounting debt, a situation which can be better managed by putting together a debt reduction or management plan;
- Financial planning is a low priority for many people as they do not understand the benefits it can bring;
- Previous negative experience with financial planners and product suppliers;
- The purchase of inappropriate products as a result of insufficient analysis of the clients situation and the poor identification of needs and objectives by the financial planner;
- The perception of the industry being sales driven and not solution- and service driven.

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

- Warren Buffet

YOUR MISTAKES WILL BE YOUR GREATEST MENTORS

What we have learned is that our industry does not often teach people that. The goals of so many in our industry are unfortunately not in line with the goals of the average investor, who is being fed a lot of false information, some of it intentionally. People are potentially being harmed and sold false dreams.

One of our clients had R 1,000,000 invested through a broker, the same broker that they had used for years as they accumulated money. Before the couple came to see us their broker had told them that they only had R 600,000 left and needed to reduce their income or sell their holiday home because they were going to run out of money. It was essentially the brokers' fault, yet they had no recourse, as they had been given bad advice.

The couple's accountant referred them to us to analyse why they were running out of money. When we recalculated the numbers for that couple, we explained that if they had approached us in the beginning and followed our advice, they would probably have had about R 1,200,000 at that point. That is a difference of R 600,000 rand that they could have had but as a result of bad advice, they had lost about half. They had been taking too much risk in the market, withdrawing money from those equities as the market was plunging, and they were paying high fees. That is not an income plan!

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

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

- Henry James

A NEW STAGE OF LIFE

We have read that "Most people will not attempt to climb Mount Everest on their own", and typically, most climbers will look toward Sherpa's, who have served as guides for generations in Nepal, high in the Himalayas. They help climbers prepare and show them the routes that will get them to the top.

They are seasoned and know every detail of the trails, and as guides they are even more essential in guiding you back down safely. Coming down the mountain can be the most perilous part: you're tired, you're defenses are down and you may very well fall at any moment. You need that

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guide even though you may be a good climber yourself. A good example of this is Dale Steyn, who is one of the best bowlers in the world, yet still consults a bowling coach!

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

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

What they experience is seeing a drop in the market, but within a few years they are back to where they were before the drop, perhaps with more. They may come to expect the same in retirement, however they will be in for a rude awakening, because not only will they be drawing from the account in retirement, but they will no longer be contributing to it and if the market drops again, they will be in financial peril.

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

YOU NEED TO BUILD YOUR WEALTH

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

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

If during all of your working years you saw the market bounce back after a correction, you may continue to believe that this will always be the case, but if those bad years come early in your retirement, whilst you are withdrawing from your investment, your portfolio is unlikely to ever bounce back, even if the market does. That can seem like a foreign concept to those that are still

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in accumulation mode, they may refuse to believe that it could happen to them, but they may end up sadder yet wiser.

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

YOU DESERVE FINANCIAL FREEDOM

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

In these pages you will find a wealth of advice on a wide range of topics dealing with building your wealth towards the path of becoming a millionaire. We will help you understand the issues of inflation, and other threats to your wealth and wellbeing.

These issues weigh heavily on our minds and we want to reassure you that you can move forward with confidence and freedom from debilitating fears. Yes, it is likely that you will see money falling through the cracks, but now you will be able to see those cracks and take steps to repair your portfolio.

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

When it comes to mismanaging our finances, it is always easier to blame others than to admit that it was our fault. It is crucial that we accept the truth... we are one hundred percent responsible for our own financial decisions!

The power to change or improve your financial situation lies in the decisions you make on a daily basis.

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

- Benjamin Franklin

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THE PSYCHOLOGY OF WEALTH

"All money is a matter of belief."

- Adam Smith

It was the spring of 1950.

A young boy was close to graduating and he felt that he was fully qualified to achieve his goal of becoming a millionaire by the age of thirty-five with no further education.

He was so certain that he would be chosen at Harvard that he was already urging his close friend to join him at Harvard, without even having applied there.

He qualified for a scholarship and he took a train to Chicago for his interview at Harvard. He was nineteen, two years younger than most of the college graduates and much younger than an average business-school student. He had good grades but not excellent.

He was quite confident that his knowledge of stocks was enough to make an impact. He was asked to enter a room and introduced himself to the interviewer. Ten minutes passed and he got the shock of his life. He never got an opportunity to show off his knowledge of stocks. The interviewer rejected him and gently told him that he would have a better chance in a few years time.

Naïve, as he was, he didn't take the rejection very well. When he received the rejection letter, his first thought was, "What will I tell my mom and dad?"

He started researching other graduate schools and he narrowed them down to two names, Benjamin Graham and David Dodd, while browsing through the catalogue of Columbia Business School. Now, Harvard was his dream but he was always mesmerised by Graham's book "The Intelligent Investor".

Unfortunately, it was past the admission date and he was too late. Or was he?

He was determined that he would go to Columbia so he decided to write an application.

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

The application, however unconventional it was, landed him his admission in the college without an interview, and even after the deadline.

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Today, he is a self-made billionaire, an American business magnate, investor, and philanthropist. He is the most successful investor of the 20th century.

Warren Buffet!

If Warren Buffet can become a billionaire by still being ordinary, you and I can definitely become "Ordinary Millionaires".

This chapter is one of the most important in the book as it covers concepts that rarely get talked about, yet are some of the biggest drivers toward success and riches. Please pay careful attention.

WHY AIM FOR A MILLION?

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

Most of us probably know someone who has a million, although they often don't look like it. Many millionaires have ordinary lifestyles. On the other hand, there are many people who are living millionaire lifestyles - great designer clothes, luxury holidays, pricey watches, and expensively 'interiorly decorated' homes, whose net worth is no better than yours, and maybe a lot worse.

What you and other observers can't see is at what cost they live these lifestyles: the debts piling up, the heavily mortgaged house and the stack of maxed-out credit cards. That is not what we mean by millionaire.

What we are describing here is having the security of R 1,000,000 (or more) in cash, investments, or business assets to provide you with an income, perhaps meaning you never need to work again unless you decide to, in order to improve your lifestyle or your wealth.

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

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

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

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DOES IT SEEM LIKE AN IMPOSSIBLE DREAM?

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

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

A lot of people today have an entitlement mentality, and assume that it's someone else's job to pay for their lifestyle. Well, maybe it is, but you can only trust yourself to take care of your future and your well-being.

We are going to make our own decisions about where we live, what we do with our time and how we live. This means that we need to have enough money to be able to make these choices and to be secure.

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

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

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

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

William Arthur Ward

WHEN IT'S BROKEN DOWN IT IS LESS DAUNTING

That's why, in this book, we are showing you how to break down your target. You have heard of the old Chinese proverb "The journey of a thousand miles starts with a single step" or even "The man who would move a mountain begins by carrying away small stones".

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

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However, if you want to be a millionaire, you must be serious. You have got to be willing to save your money and put it aside and do that again and again to build up your million.

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

YOU MUST FIND YOUR WHY OR YOU WILL NOT LAST THE COURSE

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

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

Maybe you want to be able to travel extensively before you are too old to enjoy it. Work out what your living and travel costs will be, how much you need invested to pay for that, and there's your 'Why'.

Maybe you want security for your family, there's your 'Why'.

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

- Syracuse K.T

REPROGRAMMING YOUR WEALTH THERMOSTAT

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

"If you keep doing what you always do, you'll just get what you always get. You must be willing to do something you have never done before, in order to get to where you have never been before."

- Einstein

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A 'RICH' THERMOSTAT

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

- John Kenneth Galbraith

Most of us are wired to repeat things. We eat the same food, have the same thoughts, drink the same cappuccino, listen to the same music, and carry on with our same usual lives.

If your thermostat is set to 'poor' you will always be poor but what if it is set for 'riches'?

Donald Trump has been declared bankrupt three times and yet he is a billionaire once again. He even went as far as to sue a newspaper reporter who dared call him a millionaire and not a billionaire. You can have no doubt as to the level of his wealth thermostat.

Warren Buffet at one time lost so much in Berkshire Hathaway that he mentioned it as possibly one of the worst trades he has been a part of. Today, he buys businesses that are in distress. His thermostat is so high that it would simply not allow him to let go of things. Consequently, his mind is able to find new ways to bring in money, irrespective of the losses he has encountered.

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

IMPOVERISHED VERSUS WEALTH CONSCIOUSNESS

- WHAT IT TAKES TO HAVE A WEALTH MINDSET

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

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

Let me start off by saying that wealth really is a mindset. To get more money you have to start by changing how you think about money. First, let's talk about how you think about money. The easiest way to discover what your beliefs about money are, is to think about how your parents thought of money. Impoverished and wealth consciousness is really taught from generation to generation. It is handed down from parent to child because their parents taught them about money in the way they are teaching you.

Before we go on, let us clarify something about being impoverished and wealthy. Consciousness

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is a state of mind and it is because of that state of mind that people are where they are today. Not just financially, but in other areas of their life as well. The goal of this book is to give you the tools to a "wealthy mindset" so that you can have more money in your life, and enjoy it and be abundant in spirit.

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

Now remember, impoverished consciousness is a state of mind. It does not matter how much is in your bank account but how you think about that money. We all know people who are very rich and they have a few million rand in the bank. They aren't necessarily the "flamboyant" type, they're just the millionaire next door - they don't drive a fancy new car, or go out to the 5-star restaurant every night to eat.

In fact, they are very poor. "WHAT?" you might say, "A person who has a few million rand is poor?" Yes.

This person puts all their money into accounts to use towards their children and grandchildren's university education and so on. This person will talk about how much money they don't have and how much money they need but then they turn around and pay for everyone's expensive medical treatment or buy a vehicle that costs just R50,000 for a family member and then complain that they need to budget to have the tyres on their car replaced because they don't have the money to do it.

This type of person isn't enjoying himself with his money. They even said before they got the money, that this amount would cause more problems for them than it would help and sure enough, it was a self-fulfilling prophecy for them. This leads into my first tool of poverty consciousness: People who plead poverty.

Poverty conscious words include (and maybe even you have used them before):

- · Money doesn't grow on trees;
- Do you think I am Harry Oppenheimer?
- Money is the root of all evil;

Or some negative wealth affirmations:

- I can't afford that:
- It's too expensive;
- I can't get that;
- · That will never happen to me;
- Out of my price range;
- Who would pay that?;
- That's ridiculous!:

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- · The rich must have cheated someone;
- · I'm not worthy.

These are tools of a poverty consciousness because that is exactly what they are. These are the tools of a poor mindset.

We have all heard of, or know, people just like the example above who have the money but they speak these words and have an impoverished mindset. Many people believe that the rich are greedy people.

To broaden the scope, there are poor people who are greedy, as well as middle class people who are greedy. Rich people who are the greedy ones just have more money. There are people who are rich and are very generous, just like there are poor people who are very generous.

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

DECLARE YOUR RICHES

The start of the journey to wealth is to stop doing what you are doing which is speaking lack into your life. This is as simple as not speaking when something might be out of your price range at this moment, or by not speaking about the money not being there.

Speaking of lack just makes it more concrete into your being and more real. You speaking of there not being enough money in the bank is just going to get you more of there not being enough money in the bank.

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

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

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

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

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

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

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

A few quotes from Robert Kiyosaki that focus on thoughts include: "Our financial problems are caused by the way we think. We have to change the way we think about money."

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

QUALITY OF YOUR QUESTIONS

There is a Chinese proverb that says, "Those who say it can't be done must get out of the way of those who are already doing it." A tool for your wealth mindset tool bag is to start, like Robert Kiyosaki says, and ask yourself questions like "How can I afford that?" "What would I have to do in order to achieve that or obtain this?"

Asking yourself these kinds of questions opens you up to the solutions. It goes with the saying, "Where there is a will there is a way." That statement is true because when you hear people say, "I can't afford that" what they are really saying is, "I don't want to put in the effort to try and find a solution to that problem."

It is a way out for people. It's a scapegoat. Wealth consciousness includes looking for the opportunities; impoverished consciousness includes looking for the excuses. You were not born a loser, you were born a winner. What if you were to ask someone to come over and help with something you are having trouble with and that person comes over, takes one look at it and says, "I can't help you with that." That is shutting down; they aren't even trying to find solutions to the problem that you are having.

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

YOUR INNER WORLD CREATES YOUR OUTER WORLD

One of the biggest lessons that we have learned in our studies and have also experienced personally is that you can have two people sitting side-by-side using exactly the same tools and strategies, and one person would take these tools and strategies and skyrocket to success, only to also notice that the other person makes no progress at all.

WHY WOULD THIS BE?

T. Harv Eker, bestselling author of "The Millionaire Mind" said it very succinctly. You can have the greatest tools in the world, but if you have just a tiny leak in your toolbox, then you have a real problem. The "toolbox" in this case is referring to the mindset we carry in our heads. When talking about success strategies and financial wellness concepts it will be totally pointless if ALL the components aren't addressed. One of the most important things you can ever understand is that we don't live in only one world. We live in at least four different worlds at once: The mental, emotional, spiritual and physical worlds.

What most people never get – and it's something you should clearly understand – is that your physical reality, what actually happens to you in your life, is nothing more than a hard-copy printout of the other three invisible quadrants; the results of the other three worlds together. The fact is that money, wealth, health, illness and being overweight are mere results of the hard-copy printout.

WE LIVE IN A WORLD OF CAUSE AND EFFECT

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

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

Gary Player

RICH PEOPLE CREATE THEIR OWN LUCK

In one book I read about the following concept, the "process of manifestation". Your thoughts lead to feelings, your feelings lead to actions, and your actions leads to results...meaning it all begins with the way you think...

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THOUGHTS - FEELINGS - ACTION - RESULTS

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

To be successful and to start resetting your internal mindset you need to know what the building blocks are for a successful life. Considering the above statement, what is your current emotional experience in life? Which of these emotions describe you best?

SUCCESSFUL - HAPPY - CARING - FEAR - HURT - ANGER - CONFUSED - ANXIOUS - UNMOTIVATED - FRUSTRATED - LIMITED SUCCESS - SLUGGISH RESULTS - FALSE STARTS

Sometimes it is easy for us to describe our emotions better than understanding what creates these emotions.

THE ROOTS CREATE THE FRUITS

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

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

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

With lack of money being the effect, what is the root cause of our situation then? Whatever results we are getting, whether it is rich or poor, positive or negative, illness or health, always remember it started on a different level. Internally. Our outer world is a reflection of our inner world.

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RETRAIN YOUR BRAIN TO RELEASE YOUR UNCONSCIOUS POWER FOR EXPONENTIAL RESULTS

John Assaraf, two-time New York Times bestselling author of, amongst others, "The Answer", founder of a number of million dollar businesses and owner of Neurogym, a business exploring cutting edge technologies around the better understanding of the brain, shares the latest brain based methods to quickly release the hidden unconscious obstacles that are preventing you from accelerating your business growth and lifestyle.

John shares the same methodology around our lifestyle as we experience it, i.e. we need to retrain our brain to get different results. It's based on this simple consideration that our lives are the result of our thinking, amongst others.

Consider this, "Why are you in a poor financial state?" Is it because of the money you earn? Or what you do with the money you earn? It could be because of the fact that you are not earning enough money! Then the question would be, why are you not earning enough money? The answer is never about the money! Hopefully you are starting to see what we mean by this. So if we live in a world of cause and effect, what is causing the result of our lives?

Maybe you also get that Aha! feeling: It is our ACTIONS!

What causes our actions? If I am a habitual shopper, what would be the cause of this? One of the contributors to this book openly admitted that when she was in a bad relationship she went shopping to help with her emotions.

Our actions are not the real reason, consider the following;

- Our actions are the combined impact of our behaviour, which is rooted in our beliefs or mindset which is implicit (our subconscious mind) or explicit (our conscious mind). Thereafter comes our thoughts, and we have about 35 000 to 70 000 thoughts per day.
- Our thoughts are filtered through a processor called our Reticular Activation System or RAS, which leads us to our thinking. In this process we form Habits that could be constructive or positive, moving us closer to our goals, or destructive or negative, moving us further away from our goals.

Lastly we are left with emotions, which could be pleasant, feel good emotions i.e. our brain likes to try new and exciting things. Or we could face unpleasant or negative emotions which would cause a chain reaction. We would far rather stop taking action if it means that we would not have to face fear. This will lead us to lose our motivation to take action regarding something that we perceive as negative.

Considering the above information it is clear that when we consider our relationship with money and our finances it is more complex than just what we earn and how we spend it. In the next chapter we will explore ways to take control over our Financial Intelligence or FQ.

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CARVING YOUR PATH TO BECOMING A MILLIONAIRE

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

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

Everybody's definition of financial freedom is different, but the common goal should be to reach financial security, and since many retirees nowadays are in excellent health and can easily anticipate three decades in retirement, they need to plan for many years to come. With financial security, the hours that used to be consumed by work and career will now be spent on hobbies or activities with friends old and new.

Usually retirees have been able to save a good amount of money during their peak earning years, and they will need it to fund the lifestyle that they have dreamed about. Someone may have told them they would likely be able to live on a lot less during retirement. Someone told them the wrong way. An active life of travel and friends and fun is expensive.

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

- Al Bernstein

THE RISK OF SPENDING TOO MUCH. OR TOO LITTLE!

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

Or perhaps your lack of perspective about your financial situation will lead you to take too many risks that deplete your savings and compromise your financial security. Or you may simply spend too much. Later in life, you have to cut back drastically. We have seen the sad consequences: You can end up feeling alienated from friends who no longer invite you on outings because you might not be able to afford the cost.

How pathetic to be telling yourself someday, "If only I had planned better, this wouldn't have happened." Or how pathetic to have missed out on life's joys simply because you were scared. Both extremes are sad and so very avoidable.

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IDENTIFYING YOUR GOALS AND DREAMS

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

Just what are your dreams and goals? You should write them down as a tangible part of your financial plan. Ask yourself specific questions and write down what comes to mind; what and who are important to you? Whom do you wish to help? What do you want to learn? Where do you want to go? What makes you feel happy? Fulfilled? What have you always wished you had time to do? Do you have a "bucket list"? Take a peek into your future as you imagine it will be; do you see yourself traveling? Daily rounds of golf? Indulging in a hobby? Spending time with grandchildren? Do you plan to work part time or perhaps volunteer for charities? Do you intend to help other family members financially?

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

YOUR GOALS MUST BE REALISTIC

You need to identify what, in your personal situation, your discretionary and non-discretionary expenses are. How much do you want to spend to attain your personal goals, and how much must you spend to survive? Many parents encourage their children to leave South Africa for a more secure future, without thinking of how they will afford to travel overseas for visits. As we will discuss later in the book, your non-discretionary expenses should be funded through guaranteed income sources. That way you need not worry about running out of money for your essentials.

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

Many people are simply not clear about how much they can or cannot take from their portfolio. They don't know what they can afford. No one has taught them this information, so they base decisions on their experiences. But those experiences can be misleading. For decades, the stock market seemed to go ever upward, as did real estate. Pre-1994 the JSE had an average growth of around 28 percent. No wonder endowment growth was projected so high. After exchange controls weakened, so did our stock market performance, and so the "norm" has changed. Those investors have since faced significant struggles. It's important to recognise what can happen if you base your lifestyle on the support of fluctuating economic cycles. Like friends, they can let you down.

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People in their fifties tend to perceive the market's performance based on how it did when they began their investment life—in other words, phenomenally. It's only recently, since the turn of the millennium, that their eyes have been opened. It's human nature to extrapolate our experiences into expectations. Retirees thus are led to withdraw from their accounts even as they sink, fully expecting that the market will make it all better. After all, that's what it did in the past. But that's not necessarily what it will do in the future—and once they start those withdrawals, the situation worsens dramatically.

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

MATCHING DREAMS TO RESOURCES

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

PACK THE RIGHT LUGGAGE FOR THE FINANCIAL JOURNEY

The lesson is clear. It's important to organise your life. You have to organise your goals, your dreams, and your priorities, so that you know where you are going. A good retirement advisor can help you get there. And a good planner can also help you organise your documents so that your financial life flows as smoothly as possible and so that your heirs don't face a nightmare upon your death. Suppose you are going on vacation. If you are headed to the coast, you pack your bags differently than you do if you are headed to the Kruger. Retirees who want to worry less about financial issues should pack their bags differently than someone who still has twenty or thirty years to go before reaching retirement.

If you go to the beach and you bring only bush jackets to wear, you are probably not going to have a lot of fun on that trip. Nor do you want your bathing suit for the Kruger. You will not be properly outfitted for the conditions. You need to have the right luggage, and you need to pack appropriately for the prevailing climate. In other words, you need to thoroughly analyse your assets and your liabilities and your expectations. The goal is to make sure that your financial affairs are organised in such a way that it supports what you want your retirement to look like.

"How did you go bankrupt? Two ways. Gradually, and then suddenly."

- Ernest Hemingway

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Wouter Snyman, co-author of this book, authored the Number 1 Amazon Bestseller, "Would Driving a Porsche Change Your Life?" In this book he deals with a goalsetting formula called "Get a Bit Smarter®", wherein he teaches a simple twelve step process to set any goal in life. Download a FREE copy of this book at www.woutersnyman.com with a personal workbook and journal that can help you establish the most important goals that you will need to provide for.

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

– Wouter Snyman

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WHAT IS YOUR FQ?

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

- Andy Williams

We have all heard about Intelligence Quotient or IQ, which is a way to measure someone's intelligence. We've also heard about Emotional Intelligence or EQ as a way to identify different emotions. Much of this has been researched, studied, written, and said to be an indication of how this affects one's success.

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

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

You may have a high IQ and EQ but if your FQ is lacking, you will probably end up creating a financial mess for yourself. You may be great at work, even an Einstein, but when it comes to handling money, you may be just a baby.

STOP THE BLAME GAME!

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

Academic institutions should focus not only on a child's ability to earn, but also teach a child how to manage the money they will earn in the future.

True wealth begins in the mind. Sadly, the first few years a man earns money, he ends up practicing what he learned from his parents. He practices the same bad, or misinformed, money habits which his parents have practiced all their lives.

So was it our parent's fault? Yes and No. Yes, because they should have educated themselves and developed their financial literacy. No, because they also learned their wrong, or ineffective, money handling methods from their parents, and so on.

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STOP BI AMING YOUR PARENTS

Do not think your parents did not love you enough and modelled the wrong behaviour and financial decisions that you picked up on. That's not it. They just did not know a better way. The good news is, you can change and unlearn these bad money habits over time.

Yes, you heard right, you can change your financial habits, starting today.

If you have a child, or are planning to have one or two someday, please don't pass your bad money habits on to your children. Teach them not to live from pay cheque to pay cheque. Teach them that it's possible to have more money at the end of the month, and not vice versa, because it is possible.

If there's a legacy you must leave to your child, first it's a proper education, so they will know how to earn money. The second is financial wisdom, so they will know what to do with the money they earn. Teach them not to love money, but to respect money. Teaching them to love money will make them greedy and selfish, thereby destroying their life in the process. Teaching them to respect money will make them responsible, able to sufficiently provide for themselves, and their future household.

All their decisions as an adult, will be based on this financial wisdom. It will define the quality of their life. It will equip them with the tools they will need to be a responsible spouse and parent, and it will make them a more responsible, productive citizen of their country and the world.

STOP BLAMING THE GOVERNMENT

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

Let's take a look at a few examples:

- The income tax rate, you cannot control.
- Buying a cappuccino, or mocha-chino, every day, you can control.
- The cost of petrol or diesel, you cannot control.
- The type of car you drive, you can control.
- The cost of healthcare, you cannot control.
- Buying medical aid, you can control.
- The cost of water and electricity, you cannot control.
- How much water and electricity you consume every month, you can control.

The bottom line is that there are a million things you cannot control. In in some ways, government policies do have a lot of influence over your finances, and affect the quality of your life.

Still, when it comes to managing your finances, you are 100 percent in control.

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After all is said and done, the only question that you should answer is this, "How well did you manage your finances?"

The government did not ask you to purchase a cappuccino every single day.

That very expensive designer dress which you purchased using your credit card, that's your responsibility. That 60" plasma TV that you bought at the offer of twelve months with 'low' interest so that you can show of...err...invite your friends over for the Springbok versus All Black game, that's also your responsibility.

STOP BLAMING YOURSELF

For lasting change to happen, you must acknowledge your mistakes, but after the acknowledgment, you must get up, dust yourself off, and then move forward.

You must begin practicing good financial choices, not tomorrow, today. Yes, you can! It doesn't matter how overwhelmingly messy your financial life is at the moment. It doesn't matter how deep your credit card debt is right now. You can change it. You can get out of it.

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

Run your own race. No one is going to run it for you.

You do not have to be the best in finance to escape the rat-race. A basic level of financial soundness doesn't require you to be a financial expert in personal finance, and it doesn't mean that you have to save all of your hard earned income and not enjoy your life. It simply means that you should improve your knowledge, whilst enjoying and celebrating small victories with guidelines to reach your goals.

"All riches have their origin in mind. Wealth is in ideas - not money."

- Robert Collier

HOW DO YOU FEEL ABOUT MONEY?

The way you feel about money will greatly affect you and the outcome that follows. Do you feel good about money? Or is it a taboo, something that only greedy, filthy people feel good about? Are you like the bumper sticker that says, "Filthy, Stinking, Rich, two out of three ain't bad?" Is there the belief that, "Money is the root of all evil." Where the correct statement is, "The love of money is the root of all evil." Or do you still believe - "The lack of money is the root of all evil."

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There are lots of people, some we have discussed, who even though they have a lot of money, still worry and stress over the money in their bank accounts. You can worry about money when you have R25 in your account just the same as if you had R25,000. Until you let go of the worry about money you won't really enjoy your money.

That's all that money is really for... to enjoy. Money itself isn't bad, or filthy, just as much as a computer on a desk is not. You can make the things you do with money bad, just like you can with the computer.

Money can have big power over people. Money can make people spend their lives working at a job they don't like. People who say, "Oh, I don't care about money" but then work ten hours a day at a job they hate because of the pay cheque, because they don't have enough money in the bank to pay bills this month.

Will worrying get you more money? No. If anything, worrying and stressing over money will push you further away from the solution. Why, you might ask? Studies have proven that the emotional brain is twenty-four times bigger than the logical brain.

Worry is a very strong emotion. The fact that your emotional brain is twenty-four times bigger is the reason that, for example, you just broke up your relationship. That is hard for anyone and emotions are taking over. When your friends tell you how good you look, or how great a catch you are to someone else, you might respond with, "No one will ever love me; I'm not ever going to find someone else to love me like that"

Your friends are looking at the situation through their logical brain but you are looking at it through your emotional brain. And since the emotional brain is twenty-four times larger than the logical brain, is why nothing they say logically will help very much.

Now back to worrying about money. If you are just sitting there worrying that you don't have enough money, the logical part of your brain can't communicate with you and give you the ideas and solutions to your problems.

The emotional part of your brain will run the show until you recognise what is going on, and change how you approach the situation. Next time try this: if you know you are going to be short of money, first, don't talk about it to everyone.

Just hold the idea of the amount of money that you need to come to you and see it in your mind. Then turn it over to your subconscious. Turn it over to the universe. Then wait for an inspiration, an idea, or a thought. It might come in the first ten minutes, or the next day or later that week.

Keep the amount in mind, but let it go and don't worry about the money that you do not have. Remember, worrying will not bring more money.

How you think about money is also a determining factor in how you react to money and how much money you receive. Author Ascyna Talking Raven, who wrote "Endings that Begin: A Journey into Love", made the statement once, "The greatest gift you can give someone is to receive."

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Think about that for a moment. The greatest gift you can give someone is to receive. Let's take a situation. A friend does something special for you, such as picking you up when your car breaks down or comes over and helps you with the house. Now you try to give that friend R100.

That friend then says, "No, no, it's ok, that's what friends are for." But the R100 isn't anything that is making you stretch financially and you would feel better if they took it because this is how you'd like to show your appreciation. You feel better when they take it because they helped you and you showed them just like they were showing you how much you appreciate each other.

Now think of the gift that your friend just gave you and think about how good you felt when you were able to give. Now imagine if nobody accepted anything from anyone again. You wouldn't be able to give to anyone. Think about how bad you'd feel. And I'm not talking about just giving and accepting money. I'm talking about nobody ever accepting anything. A helping hand, a batch of thank-you cookies, anything.

So if a friend hands you R50 and says "Thanks for taking me around, I know it isn't much but here is R50 for petrol," accept it. You are giving them the feeling of giving to you when you accept that R50 thankfully.

This doesn't give you the right to start being greedy, and receiving doesn't have to be just about getting money, but could be a helping hand, thank-you cookies, a special item for you, anything from the other person to you. A lot of people have a stigma around money and they don't feel good accepting any from another person when they don't "feel" like they earned it.

Here is the thing regarding that: You might help a person with a project and maybe you don't do very much and it's not that hard, but in their eyes you helped tremendously. You never know how much you really helped a person. And when they try to pay you, just graciously accept it because you are making that person even happier because they get to give to you for you giving to them.

We know a lot of people who feel if they don't "deserve" it then they shouldn't get it. And when we say "deserve" they mean they work really hard for whatever it is that they want.

This is impoverished consciousness. If you have a wealthy mindset then you know when to accept the gifts, be it from another person or from the Universe. Having a wealth mindset doesn't mean that you aren't going to be working hard, but that you know how to accept what is coming to you, whatever that is.

WHERE DO THE RICH MAKE THEIR MONEY?

Employee and the Business Owner

What you want to do to make your money is another clue to how you think about money. There are a few different ways people can work to make money.

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What we have all been taught is to get a job to make money so that you trade hours for income. You go to Company A, spend two hundred hours a month, and make R25,000 a month which equates to R125 per hour. You are an employee and as an employee you are very limited to the choices you have, you are selling time for money.

You don't get to decide how much money you make or if you get a raise. Very rarely would you get to choose the kind of hours you work or for how long at a time or even which days. You are trading hours of your life to work for someone else when they tell you to, how long they tell you to, and do what they tell you to do.

If you don't show up, you don't get paid. Even the highest paid CEOs of companies fall into this category. They are still working for someone else; they just get paid big money to do it.

Another way is to start your own business. Become self-employed. People who think that they work too hard for a company as an employee usually start their own business. Then they find out that they are working even harder than they did when they were working for Company A.

If you don't show up to work, and produce the widget, or service, then you don't get paid, just like an employee. This is also true for people who are doctors, lawyers, dentists, and other professionals. A lot of times you will hear people say that they own a job. Instead of working for themselves, they are working for the job that they are doing. That is the catch with self-employed people, if they stop, the product stops and then the money stops.

Being a business owner is where freedom starts to come in. Now you might ask yourself, "Well, being self-employed, that's owning your own business so what's the difference?"

And you are right, but we are talking about having other people work for you, the owner, and not just be working it like you do when you are self-employed. Being a business owner and not just self-employed is the difference.

If you take six weeks off for holiday, you will still be making money in that period and your business will still have profits when you come back.

There are also people who have their money work for them. These are all different kinds of investors. The two most popular things that come to mind when talking about investing are real estate and the stock market. To be an investor you can most certainly invest in those two areas, but making your money work for you goes beyond just investing in things like that.

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

None of these different ways to make money is bad. There are bad ways in each avenue of making money, but no one is better or more "right" instead of the other. As we have pointed out,

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there are rich people in any of the different avenues to making money but what you need to decide is how you are going to make yours.

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

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

The self-employed person sees something that they can do to fill a niche in the market and they do it. But they limit themselves because only they can do it. The business owner puts together a team and a system, and then enjoys what comes afterwards.

Learn how to lead a team of people. This doesn't mean starting to boss around anyone you think will stay long enough to listen to you. It means to volunteer at a community event that you know you will need to delegate some help, such as a church event. Something that will put you in a leadership role where you can practice leading a team to a successful conclusion.

HOW THE RICH HANDLE MONEY

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

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

- James Maddison

THEY HATE BORROWING MONEY

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

Below are a few examples of each.

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

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Borrowing money for an extravagant wedding is bad debt. If you really love your fiancé/fiancée, please don't begin your life together buried in debt. Have a simple wedding that is within your budget. This is the only type of wedding you can genuinely be proud of. Be real and true to yourself. Pride can cost you thousands. You don't want your first day together to be based on a lie, do you? There are many cultures where family spend hundreds of thousands of rands on their children's weddings, only for the couple to suffer financial hardship for years to come.

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

Getting car financing is good debt if the car will serve you as you travel to and from work.

Getting car financing is bad debt if your chief motivation is to show it off to your friends or neighbours.

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

- A. What is your chief motivation for getting this loan?
- B. Are you willing to give money to the bank, in the form of interest, for this loan?
- C. Is it an actual need, or just a want?

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

THEY USE THEIR CREDIT CARD WISELY

Be a fair-weather friend to your credit card. Use it sparingly, and if you can manage, use it only for emergency situations. Emergency means anything related to healthcare. Cosmetic procedures are not covered, unless you were in some sort of an accident, or you're a model and your new nose will grossly add to your talent fee.

Whenever possible, purchase in cash or use a debit card. Just because everybody else is using a credit card, does not mean you have to use one as well. You're a human being, not a sheep. If you already have too much credit card debt, there's no logic in further adding to it. That's what the ATM machine is for. Believe it or not, there was a time when people did not use credit cards. Moreover, a considerable number of the world's population still do not use credit cards.

A few decades ago, the banks decided to exploit you and I.

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The marketing and advertising companies have done their homework and they have done it well. They have transformed what were once luxury items, into necessities. They have transformed even the most illogical and mundane item, into the next big thing. Now we cannot sleep at night without possessing that item. Obviously, the banks wanted to cash in. They wanted their piece of the pie, so to speak. Hence, the credit card was born. And the rest, as they say, is history.

By inventing the credit card, the banks were able to use the people's basic tendency to want more and more, against them. They invented a tool that enabled people to feed their lust for materialism. So when the credit card came in the front door, the virtue known as Delayed Gratification went out the back door. Banks cleverly built up the thought that only successful people had credit cards, and it was deemed an achievement to qualify for a "gold" card - it was ridiculously associated with status in the community. Nowadays anybody earning more than R 10,000 can qualify for a gold card, and the "gold status" has been replaced with a platinum card or purple card - very much the same as small, medium and large cold drinks at the movies have been replaced by large, extra-large and super-size!

Note: We are not against credit cards. We are only against using them irresponsibly. A credit card can be a real life saver in times of emergencies. However, when it is used irresponsibly, it is detrimental to one's financial health.

THEY LOVE THEIR DEBIT CARD

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

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

Do this every month.

They just say NO

- Say NO to overspending;
- Say NO to offers that sound too good to be true;
- Say NO to impulse or emotional buying;
- Say YES to spending less than what you earn;
- Say YES to conscious purchasing decisions;
- Say YES to investing.

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THEY LOVE LIVING SIMPLY

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

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

As explained earlier, before purchasing anything, whether it is a car, a house, a property, a watch, clothes, a cell phone, gadgets, etc., first find out your chief motivation for buying that item. Consciously or subconsciously, you will always have a reason why you're choosing one item over another. Oftentimes, we make decisions emotionally and then try to justify things rationally, like buying an expensive car that you don't "need" and claiming it is very economical on fuel or has a large boot that is useful for holidays!

Do you really need it? Or do you want it to show off, to belong, and to be accepted? Only you can decide.

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

"Both poverty and riches are the offspring of thought"

- Unknown

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PART 2

BEING HEALTHY

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BE PHYSICALLY WELL

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

- Marilyn Monroe

ARE YOU CONTENT WITH YOUR PHYSICAL WELLNESS?

Sadly, most of us probably read that and said "NO!" (Albeit quietly so that no one close to us knows.) This points more to our self-confidence and the idea that society, as a whole, has generated of what we should look like physically, than to our actual physical wellness. You need not be on the cover of fashion magazines to be healthy, but you do need to be able to go to sleep at night knowing that you are mentally and physically fit and healthy, or at least confident with the knowledge that you are doing all you can to get there.

We have added this part to the book as we have seen so many of our clients climbing their financial ladder only to neglect their physical wellbeing, and then when it is too late they try and buy back their health. Impossible!

Considering the advances in technology, you and I have a greater chance than ever before to outlive the ages that our grandparents reached. The question is; "What will your quality of life be?"

We would be remiss not to add our view on physical wellness.

DO YOU WANT TO ADD YEARS TO YOUR LIFE? OR LIFE TO YOUR YEARS?

Feeling your best boosts your zeal for life!

Are you a goal setter? Statistics show less than 3 percent of people actually set goals, and take the trouble to write them down, and they generally tend to be the ones who succeed in the world.

So, here is the challenge, starting with a quick question, "Do you know where you want to be 5, 10 and 20 years from now in your life?"

You see, most people to whom this question is asked have no idea! They have never really been challenged to answer this, or to do anything about it. That indicates a slight problem, we only have one life to live, so let's make it a good, and worthwhile, one.

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WHAT IS YOUR LIFF PLAN?

Sadly, very few people have a plan for their lives. Most are passive spectators, watching their lives unfold, one day at a time. They are reactive rather than proactive. They may plan their careers, the building of a new home, or even a holiday but it never occurs to them to plan their life.

In fact, most people spend more time planning a week long holiday than they spend planning their life.

This may be why so many people end up discouraged, disillusioned, and wondering what went wrong when they arrive at the wrong destination.

The good news is that it doesn't have to be this way. You can live your life purposefully by creating your own personal life plan.

WHY DO YOU NEED A LIFE PLAN?

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

- · Provide direction, meaning, and purpose for your life;
- Make decisions that positively affect your future;
- Focus your energies on what's most important;
- Achieve the greatest results in the shortest period of time;
- Significantly increase your level of performance;
- · Enjoy more time, money, balance and freedom.

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

MY OUESTION TO YOU:

- Do YOU have a plan to improve your physical well-being?
- How balanced is your life?
- How much time do you spend on physical activity?
- Improve your health by being active, as part of following a healthy lifestyle.

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

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We recognise that bad habits have damaging effects, cause poor relationships and bear upon your life negatively. What if we could add favourable habits to our lives? What is a favourable habit, you ask? A favourable habit is merely a habit that produces favourable benefits, attitudes and actions that you would like to gain and make a part of your life.

Health is recession-proof. Regardless how rich or poor you are, your health has been, is and will forever be the most crucial part of your life. You don't have to be affluent to be healthy. You merely need to take a minute to consider what you're eating and what physical activities you are doing - and make diplomatic choices from there.

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

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

Discover personal significance. See exercise as moving meditation. Integrate it into your spiritual practice. Utilise it to clear up your mind. Make exercise a part of whatsoever you're passionate about in life and you'll love it more and more day after day.

Here are some reasons why physical activity is proven to improve both mental and physical health.

PHYSICAL ACTIVITY BOOSTS MENTAL WELLNESS.

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

PHYSICAL ACTIVITY IMPROVES PHYSICAL WELLNESS.

Too much sitting and other sedentary activities can increase your risk of cardiovascular disease. One study showed that adults who watch more than 4 hours of television a day had a 46 percent increased risk of death, in general and an 80 percent increased risk of death from cardiovascular disease. Becoming more active can help lower your blood pressure and also boost your levels of good cholesterol.

PHYSICAL ACTIVITY PROLONGS YOUR OPTIMAL HEALTH.

Without regular physical activity, the body slowly loses its strength, stamina and ability to func-

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tion well. People who are physically active and at a healthy weight live about 7 years longer than those who are not active and those that are obese.

- Live longer! Live healthier! Physical activity is an important part of a healthy lifestyle.
 Regular physical activity can help to reduce the risk of premature death and chronic diseases such as coronary heart disease, stroke, hypertension, colon cancer, breast cancer, type-2 diabetes and osteoporosis.
- **Every step counts!** If you're not active now, adding any amount of physical activity can bring some health benefits. Take a step in the right direction. Start now and slowly increase your physical activity to meet the recommended levels.
- **Feel better!** Regular physical activity can improve your overall sense of well-being by improving fitness levels and self-esteem, reducing the effects of stress, increasing energy and contributing to positive mental health.

SO GO ON, MOVE YOURSELF!

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

The definition of wellness is a spectrum. An individual becomes aware of, and makes sound choices toward the quest of physical, emotional, spiritual, social, and rational wholeness through an intricate process. Here are additional views on the spectrum of what physical health is:

- Cognisance of the body's real identity, depth of feelings, stress patterns, reactions, balance, and harmony;
- Honouring your body's own singularity and diverseness;
- Engaging in patterns that move you toward a higher level of wellness;
- Bettered cardiovascular, flexibility, strength capacity;
- Bettered knowledge about functional nutrition.

Wellness is an interactive procedure of becoming cognizant of and exercising sound choices to produce a more successful and equilibrated lifestyle. Physical health isn't acquired overnight; it's cultivated over time. You must value and appreciate the relationship between good nutrition and the performance of the body. Physical health is a choice...Yours!

I personally trust that each person has the working capacity and duty to take the needed steps of bettering their physical wellness.

OUR BODIES

Physical health involves an understanding that eating well, physical exertion, and healthy lifestyle selections are crucial; that arriving at healthy life-style choices now will bear upon how you feel tomorrow, how long you live, and maybe more significantly the quality of your life.

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What would you believe to be your most treasured possession? Your house? Car? Antique collection? What about ... your body? It's certainly your most treasured possession as without it, you would not be here.

How well do you treat your body? Do you work out daily, eat healthy foods, consume adequate amounts of water, and get enough rest? Don't fret: I'm not going to turn this into a big soapbox speech, as I've been just as guilty of not providing my body with the care it deserves. The bulk of us are guilty.

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

All the same, it's crucial to understand that disregarding our physical welfare may deeply affect us mentally and spiritually. The Mind/Body/Spirit/Emotions association is strong. If we disregard one area, the others will suffer too. The goal ought to be to accomplish a nice, even balance between all 4. I'm learning that it's not as difficult as it seems. It simply takes a bit of effort.

My greatest error in the past was trusting that suitable care of my body would take a monolithic amount of time. "I'm too busy to work out. I don't have time to cook proper meals; I'll just pick up something fast. I've too much to do, so I can't catch a full night's rest."

By dodging my physical welfare, I discovered that I was unable to be as productive and effective in other areas. I had little vitality; I couldn't centre, and normally felt rotten day in and day out.

Treating our bodies doesn't have to take much time. In fact, by catering more care on my physical health of late, I'd venture to say that I'm acquiring time, as my focus and vitality levels are so much fuller, and I get a lot more done during the day. Likewise, I rest better at night, a different bonus!

You may be enquiring just how much time and work is called for? Here are the things I've been executing for myself of late:

WORK OUT

For me that was the greatest obstruction, as I tend to get lazy. When I sit down at my desk, I'm pasted to it all day. If I don't workout first thing in the day, I'll continue putting it off. So I began doing my exercise right away after I wake up.

I spend approximately thirty minutes to an hour on aerobic exercise, and some light weight routines. I had to force myself initially, but now that I'm getting into the habit, I'm feeling stronger and even beginning to look forward to my exercises each morning.

If you tend to stall about exercise as I did, try making it your first priority when you wake up, and then you have the rest of the day to accomplish whatever else requires doing.

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NUTRIENTS

I've always been a "fast food addict". It wasn't that I favoured that sort of food, it simply appeared handier. But, I ultimately recognized that raw veggies and fruit might be "fast foods" too! I also started eliminating sugar, and alternated to whole grains rather than white, highly refined foods.

I attempt to eat more whole foods, as who needs all those chemicals they place in processed foods? Rather than snacking on some chips, why not eat some nuts, seeds, fruit or veggies? They don't take any longer to make.

H20

I likewise started drinking more glasses of water throughout the day, and instantly started to feel better. Did you know that the most usual symptoms of dehydration are weariness, sluggishness, muscle weakness, headaches, light-headedness and forgetfulness? That certainly described me, and it's no wonder, as I was drinking largely coffee and soft drinks.

Upping my H2O intake made a big difference to my energy levels and mental centering. You don't have to consume gallons of water, just a couple of tall glasses a day ought to be an improvement.

SLEEP

I'm among those individuals who truly require a full 8 hours of sleep nightly or I get crabby. A few individuals may cope on less sleep, but most of us are still getting less than our bodies really require.

You might believe that getting less sleep will enable you to get more done, but consider this: if you don't get adequate rest, you'll be dragging yourself through the day and have to focus harder on your work, as your mind simply would need to rest.

If you commit to a full 8 hours (or however much you personally require) of sleep, you'll feel much more industrious and centred during the day, and be able to achieve just as much, if not more. It's truly just an issue of producing new, fitter habits to substitute the old habits. Sure, exercise does take up some time, but once again, it may make a very big difference in your energy level. Make time for this. We need to make an attempt to treasure our beautiful bodies, as we only get one! They genuinely are our most treasured possession, and if we don't cherish them, who else will?

HOW TO DEVELOP A WELLNESS PROGRAM IN YOUR LIFE

It's important for all of us to take responsibility for our health and overall wellness in life. If you want to improve how you feel, how you look, or any other component in your life, developing a wellness program is the way to do it!

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Developing your own personal wellness program will enable you to fully understand what it means to have a "life-balance" and give you a plan for achieving it.

EVALUATING YOUR LIFE

There are several core areas in your life that you should review when developing your wellness program. All of these areas are important, yet some of them are often ignored because of our busy schedules. These core areas include the following:

- Diet
- Exercise
- Thoughts
- · Leisure Time
- Feelings

In order to create a program that ensures your wellness, it's vital to include all of these areas in your plan. This is because, ultimately, all of these key areas have a place in how we feel – both physically and psychologically.

ELEMENTS OF A WELLNESS PLAN

A program that focuses on how "well" you are, should always start with a diet that includes healthy foods. These include nutritionally sound foods – foods that are cultivated organically so that you reduce the amount of toxins that enter your body.

You should focus on consuming fresh plant foods – like fruits and vegetables – rather than the pre-packaged foods in the store. Eating nuts and drinking lots of water can also be especially helpful.

Exercise is another important element of success when it comes to developing a wellness program. Not only does exercise help you lose or maintain your weight, but it also increases the amount of available oxygen throughout your body.

The cells, muscles, bones, and other components of the body are heavily dependent upon oxygen and the body's ability to properly circulate the blood. A healthy, oxygenated body will have more energy, which will make you more productive and generally happier.

- Exercising doesn't mean spending lots of money on a gym membership. Walk around your block, take the stairs instead of the elevator, or walk through a nearby mall and you'll see the benefits.
- Invest in a workout DVD to use in the privacy of your own home and make a commitment to use it four times a week.

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The next part of a wellness program is to ensure that your thoughts and feelings are positive and complimentary to your life. Having a support group or someone to talk to about issues that concern you can be very productive.

In addition, learning how to manage stress can be extremely beneficial to your wellness mission. If certain people or places cause you to experience stress, depression, or other negative feelings, then it's important to pull yourself away from them or find a productive way of coping with them.

Talking to a friend, family member, priest, or counsellor can provide great comfort. These
people can offer you objective advice and other ideas on how to deal with the stressors
in your life.

Remember, you must focus on both the physical and the psychological aspects of who you are in order to be "well." By following these techniques to develop your own wellness program, you'll enhance your life well into the future!

"Very few people can afford to be poor." -

George Bernard Shaw

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PART 3

BEING WEALTHY

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THE SEVEN SECRETS OF CREATING WEALTH

One of the best books ever written on wealth was written by George S. Clason in 1926. It is a book worth reading entitled "The Richest Man in Babylon", that reflected a time period in the Biblical era some two thousand years ago. In this book is a parable following the "Richest" man in Babylon, Arkad, who was famed for all his riches and great wealth, he was also famed for his generosity with his family, friends and charities that he supported. In the book he starts to share his success stories with the less fortunate.

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

Arkad set of as a young man and tried working hard with no real luck in getting rich. One day he met a very rich money lender by the name of Algamish. In turn for doing some transcriptions for free Algamish started teaching Arkad the road to wealth. Algamish shared seven secrets of wealth with Arkad, which is written up in the archives. Here it is for you and I to learn.

SECRET ONE: START THY PURSE TO FATTENING.

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

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

Algamish goes on to say: "Wealth, like a tree, grows from a tiny seed. The first copper you save is the seed from which your tree of wealth shall grow. The sooner you plant that seed the sooner

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shall the tree grow. And the more faithfully you nourish and water that tree with consistent savings, the sooner may you bask in contentment beneath its shade.

The first secret to wealth is simple. Start by using that source of wealth which you already possess, i.e. continue what you do now, with one simple change. If you put R10 in your "purse" only take out R9 for consumption!

Start fattening thy purse!

SECRET TWO: CONTROL THY EXPENDITURE!

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

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

Studying our spending habits will quickly show us expenses that are pure desires and could be eliminated to ensure that we stay within the ten percent that we keep.

Arkad's advice was simple. "Budget then thy necessary expenses. Touch not the one-tenth that is fattening thy purse. Let this be thy great desire that is being fulfilled. Keep working with thy budget, keep adjusting it to help thee."

Budget thy expenses!

SECRET THREE: MAKE THY GOLD MULTIPLY!

"I tell you, my students, a man's wealth is not in the coins he carries in his purse; it is the income he buildeth, the golden stream that continually floweth into his purse and keepeth it always bulging. That is what every man desireth.

That is what thou, each one of thee desireth; an income that continuenth to come whether thou work or travel. Gold increases rapidly, when making reasonable earnings. Arkad's third lesson was the impact of compound interest. If you start investing your surplus income you will soon experience the multiple impact of compounding.

To put each coin labouring that it may reproduce its kind even as the flocks of the field and help bring thee income, a stream of wealth that shall flow constantly into thy purse.

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SECRET FOUR: GUARD THY TREASURES FROM LOSS

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

"Every owner of gold is tempted by opportunities whereby it would seem that he could make large sums by its investment in most plausible projects. Often friends and relatives are eagerly entering such investments and urge them to follow.

"The first sound principle of investment is security for thy principle. Is it wise to be intrigued by larger earnings when thy principal may be lost? I say not. The penalty of risk is probable loss. Study carefully, before parting with thy treasure. Be not misled by thine own romantic desires to make wealth rapidly."

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

SECRET FIVE: MAKE OF THY DWELLING A PROFITABLE INVESTMENT

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

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

This then is the fifth secret of wealth.

Own thy own home.

SECRET SIX: INSURE THEE A FUTURE INCOME

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

This secret shall instruct thee in providing a full purse when time has made thee less able to earn." This was the sixth lesson Arkad shared with his students.

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"The man who, because of his understanding of the laws of wealth, acquireth a growing surplus, should give thought to those future days. He should plan certain investments or provisions that may endure safely for many years, yet will be available when the time arrives which he has so wisely anticipated."

This is then the sixth secret of wealth.

Provide in advance for the needs of thy growing age and the protection of thy family.

SECRET SEVEN: INCREASE THY ABILITY TO EARN

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

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

To earn more we simply need to learn more.

Thus the seventh secret to wealth is:

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

In this part of the book we are going to cover the 7 Secrets in modern day Wealth creation using the principles that Arkad shared with his students thousands of years ago.

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SFCRFT 1

START THY PURSE TO FATTENING

CONCEPT OF 'PAY YOURSELF FIRST'

Hooray! It's the end of the month. The salary's in the bank. What do you do first?

If you are like I was, when my financial literacy was still in its infancy, what I did was pay off all my accounts first, then set aside my budget, my living expenses, for the next month. Then, whatever was left, I set aside, as savings.

Sounds logical, right?

This is precisely the reason why people don't follow this simple process to prosperity and financial independence.

This is the wrong way.

The correct way is to PAY YOURSELF FIRST. Arkad's first Secret of "Fattening Thy Purse"!

When you come to think of it, paying yourself first is actually a misnomer. Even before you receive your salary, the receiver collects his income tax and your medical aid premium, and group benefits, if you have any, are deducted. So all you receive is the net income. So in reality, you cannot pay yourself first. But you can pay yourself second.

After all the requisite compulsory deductions, the sensible thing to do is to set aside a minimum of 10 percent of your net income for your savings.

If you are heavily in debt, then set aside the other 20 percent to pay off your debt.

The remaining 70 percent of your income is what you use for your living expenses. Once you're finished paying off your debt, you should increase your savings to 30 percent per month.

David Bach, multiple number 1 New York Times bestselling author wrote a book titled "The Automatic Millionaire" with the basic premise being that you pay yourself first, start investing soundly and have a virtual guarantee to become an Automatic Millionaire.

MAKING MONEY VERSUS KEEPING MONEY

Earning income and investing to make savings can cross over, of course. For example, if you invest (spend) money on equipment to grow your own vegetables and fruit, then you can save

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later on your grocery bills. However, you should also add in your time, unless this counts as an exercise session, or relaxation time (what's that? - if you want a million you really have to make sacrifices).

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

- Epictetus

SECURITY VERSUS FREEDOM: HOW TO ATTAIN BOTH

People want job security and people want financial freedom. What do both of those things mean though? Job security is knowing that you have a secure job that you will be able to go to every morning. You have employment that you know you will have tomorrow and next week and next month and for years to come.

Financial freedom is being able to do what you want with your money and having an abundance of it as excess. Most people with an impoverished consciousness trade their freedom for security. People who have a wealth mindset and prosperity consciousness have both.

They obtain security without giving up freedom. You can have security without having freedom, but having freedom gives you security.

Most of the jobs that people work in are "at will". It means that the management can fire you for really no reason at all or you can quit whenever you like. You work there on your own accord and whenever they would like to let you go they can and do. There are numerous stories of people who thought they had security working at their job because they had been there so long and then one day they came home and didn't have a job.

People who look for these kinds of jobs are looking for security. They are looking to be able to know they have a job to go to, whatever that might be.

Financial freedom is having the ability not to have to go to work and to still have the money come in and cover all of your expenses. People who tend to seek this path are the ones who make their own money. We are not talking about illegal counterfeiting! They are the ones who really can create money out of thin air and keep on doing it. An example is the likes of Richard Branson who is one of the self-made billionaire entrepreneurs who can create an opportunity out of thin air. We can certainly learn from him and try and replicate some of it in our own lives.

Sometimes it is just the challenge of starting to think about the following: "How can I generate extra income right now and then buy an asset with that income to produce even more income for me?"

An asset, which is something that puts money into your pocket, is a rich person's definition of an asset. If you are still paying something off (i.e. your house) it is not an asset until you can either earn an income/capital from it or save money because of it.

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It is like the book and story "Acres of Diamonds". The moral of the story is you have everything you need to be successful in your "metaphorical" or maybe even your physical backyard. You already have the skills you need to make yourself quite successful.

Freedom isn't waiting until month-end for a salary, but being able to say, "I need R1,000, let me go and do what I do and get R1,000 now." If you trade freedom for security then you really have nothing because job security doesn't exist. If you trade security for freedom, you have both because you will always be secure when you know you can create the income that you need when you need it.

Having the freedom and going after it can be scary for a lot of people. It might not always be easy and joyful, but there are going to be times when you are happy and joyful and those times are what life is about.

Going for your freedom is about going through the tough times knowing you are going to succeed and get to the end, and obtaining the freedom you are going after.

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

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

The game is what counts." -

Aristotle Onassis

CASH FLOW VERSUS CAPITAL GAINS: WHAT'S THE DIFFERENCE?

The difference between cash flow and capital gains is one of the biggest things that the wealthy know about. Cash flow keeps the flow of money into your pocket whereas capital gains is hoping that the value will go up. The wealthy invest for both, but focus first on cash flow. If you were to buy a business, where you are the owner and you make R100,000 a month and you don't have to be there all the time, is investing for cash flow. Another example is if you were to buy property and get money every month from the rental. That is also cash flow.

Capital gains are, for example why a lot of people think that the stock market is risky or why they are investing in the stock market. Because they buy Stock A for R10 a share, and are hoping that in the next six months it will go up to R25 a share. They are not getting money every month; there is no flow of cash to them.

People who are investing for capital gains are investing with a high amount of risk because they are taking a chance as to whether the market will go up so they can sell it and make money. Capital gains are not bad, but the cash flow is what the wealthy focus on. If we purchase a business for R300,000 and make R10,000 a month from it, and then three years later we sell it for R600,000, or even R800,000, then we just made more money. We invest for capital gains over the long-term, and cash flow over the short.

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Antique sellers and collectors are investing for capital gains. They are hoping that if something is worth R50,000 today, that it will be worth R125,000 six years from now.

LOOK FOR CASH FLOW FIRST, CAPITAL GAINS SECOND.

Novice investors make the mistake of investing into real estate for the cash flow first when they are still trying to pay their accounts. In this situation they should think about investing for capital gains to get the lump sums of cash so they can pay their bills and have money then to invest in more properties, and once that is taken care of, then they can invest for long-term cash flow investments.

If people invest too early for cash flow, then they have squeezed themselves out of investing because they needed more money now than what was coming in even if it was a positive cash flow from investment property.

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

- Napoleon Hill

SAVINGS

When you saved in a bank, you used to be paid the interest stated in the terms and conditions. It may not have been much, but it was there, and there was no 'funny business' about it. Now, loyalty does not pay. The bank that you entrust your funds to will give you a (relatively) fantastic enticing headline rate, not telling you that 12 months down the line, the shiny new account is only for new savers, and yours has dropped the introductory bonus, and is now earning a measly pittance, if anything at all. Most savings accounts attract interest far lower than the going inflation rate, so whilst your capital is safe in most instances your money will not keep track of inflation and will lose value over time.

You have to be careful. Banks make a fortune from people's inertia; not moving, or delaying moving their accounts; not wanting the hassle.

Internationally the banking crisis of the early 21st century destroyed the trust of many people in the space of a heartbeat. How could the banks have been getting away with fraud on such a massive scale for so long?

Now, there is much less security than there was. Governments bailed out the big banks internationally, judged too big to fail. This cost the consumer billions. South African Banks, to a large degree, were protected from the big backlash because they had virtually no exposure to the so called toxic assets, which were loans awarded to NINJAs (people with No Income and No Jobs).

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WHERE DO THE RICH SPEND THEIR MONEY?

Definition of an asset: Something that puts money in your pocket. **Definition of a liability:** Something that takes money out of your pocket.

When Robert Kiyosaki published "Rich Dad Poor Dad" one of the lessons he shared from his rich dad was that a house could not be counted as an asset! It raised the ire of many financial planners. His view was a simple one, if you did not generate an income out of it you could not see it as an investment. An investment house on the other hand that would generate an income would count as an asset.

A lot of financial experts can see what an individual's state money-wise is, based on their financial statements. How they spend their money says a lot about a person. And what this book is about, is all about how they think about money.

We'll talk about the poor class first. The poor spend their money as soon as they get it. They don't own much of anything; they usually rent their house or flat. They get their earned income and spend it on their expenses. The money is spent on their cellphone, Internet, food, petrol, etc.

Usually when they get a bigger income, their expenses increase as well. They go on a shopping spree and buy all sorts of things that they really don't need. There is a saying, "Poor people have big TVs, and rich people have big libraries." It is because when they get their bonuses they go out and buy "toys" such as a nicer TV and the latest home entertainment system. This is how poor people spend their money.

Middle class spend it a little bit differently. They spend their money on liabilities. They have their income from their job, and they have a home loan, a car repayment, a boat payment, and the credit card payment.

They use their income for things like this. Their income comes in, and they have all of their liabilities like the car, home loan, and boat payment to pay as expenses. When their income goes up they buy a newer car and a bigger house.

Then they have the bigger payments that they have to work for to pay off. This is bad debt. This is debt that you have to work for and pay off on your own.

The rich, however, use good debt. The rich have assets that are their income. A rich person might start off with a job, but instead of buying all the fun things that they would want to have with their hard earned money, they buy things that produce money.

Keeping with the real estate examples, a rental real estate is something that puts money in your pocket. Or, as stated earlier, writing a book.

The rental property or passive income puts money in their pocket, and then they can go and buy the new car and the bigger house because they do not have to go out to a job to pay for it.

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People like to have nice things; the only difference between the rich and everyone else is that they don't work to pay for it. If they want a Lamborghini they aren't going to go out and work at a job to save up the money.

What they will do is find an asset, some sort of passive income that will cover the payment price of the vehicle. When they make more money, they first get more passive income, and then go buy the "toys" that they want. Not the other way around.

South Africans have become all about instant gratification. Rich people know how to have delayed gratification. They will rather go a year without the nice new car than have to pay for it by a job, or some other means. They know to buy an asset (passive income) and then be able to buy the car that they want.

Notice that we have said nothing about how much money these people are making. How much money you make has nothing to do with how you spend and see your money. There are people who make R 2,000,000 a year and they spend R 2,000,000 a year. That is a poor person's spending.

How much money you make doesn't make you poor, middle class, or rich. How you spend your money does. It is about how much you keep and where you get it from that matters. This is probably the biggest part of having a "wealth mindset". It's not about how much money you make, it's about how much money you keep that makes you wealthy.

A great quote to go along with this is from Henry David Thoreau: "Almost any man knows how to earn money, but not one in a million know how to spend it."

Let's say you sell your Portchie painting for R45,000. The money can help with a couple of things, or buy you a couple of things.

Now, for example let's say that you went and spent it all on items. You bought a brand new TV, a computer and a new mountain bike. This stuff does not eat so it takes no more out of your pocket. You have all this now and the money is gone and you go back to work on Monday morning. This is a poor person's spending habit.

A rich person would go and invest it in a system. They might buy a piece of real estate. The rich would use that extra R45,000 as a 10 percent deposit on a R450,000 townhouse that could generate a rental income of R3,750. Once they earn a net income after expenses they could then buy all the nice stuff. They can purchase the TV, computer, and new furniture, but this money would be from their asset that is putting money into their pocket each and every month.

So they have money producing money of their own, plus all of the stuff they wanted, instead of just all the stuff they wanted.

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

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

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

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

'No, that's right.'

'Twenty dollars a week? For how long?'

'A year.'

'You're kidding me. That adds up to more than a thousand dollars for this VCR. It couldn't have cost more than 100 dollars.'

'Actually, we got it for only sixty.'

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

'People who want it now."

We see people almost daily that do exactly the same. In the long run you pay triple of what you could have bought it for. People are okay with this because it feeds into their sense that they have to have it now. "It's new, it's hip, I have to buy it while the Jones's have it as well," they think.

They are still paying double for that thing they just had to have. The rich want to have their money work for them, not to work for their money.

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

- Kin Hubbard

MULTIPLE STREAMS OF INCOME

We all have heard the saying that the rich have multiple streams of income. This is 100 percent true. Different sources of income come in from different places.

That way if one source dries up, all is not lost. Let's take the employee for instance, one of the struggles with this is if they lose their job, they lose their only source of income. However, if they had two rental properties bringing in income a month, there would still be a source even though the person lost their job.

I'm not saying that the job loss would be easy or they wouldn't have a lot less money, but it would be better with rental properties when they lost their job than only having one source of income.

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There are different ways to think about this.

There is the impoverished consciousness version of multiple streams of income. The ones who are really trying hard to make it but they say, "Well, I will just have to try harder and look for another job". They have the right concept, just the wrong content.

Multiple streams of income means just that; money from different sources. But what really causes the freedom is that you don't have to be there for it to work.

The rich have their money diversified between property, business, commodities, and paper assets such as shares and bonds, and this is the concept that they use; where they put their money and how they get money from different things, not just one source for their income.

Multi-level marketing promotes this type of thinking. What it is, is that no matter which business you choose to go into, the concept stays the same, for example: I sign Persons A, B, C, and D up for the product or service that is being sold, and now I make money off of those people from the company. Persons C and D want to join and start selling the product as well. So anyone Persons C and D sell the product to, get money and I also get a percentage of that money, not from them but from the company.

This goes on and on down the line of how many people each person has, but it is a group effort. I am going to help Persons C and D learn how to promote and sell the product because it helps us both out. When they are successful and make money, then I make money as well. There are some very successful people in many different multi-level marketing venues. In America one in every three people are involved with some kind of MLM business, with the most notable businesses such as AMWAY, NuSkin and Sportron. In South Africa only one in thirty people belong to a MLM business. This creates opportunity but is also a reflection of the general negative sentiments to these kind of businesses as a result of a number of Pyramid schemes that have hurt the general population.

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

TAKING ACTION: GOVERNMENT AND CROOKS ALIKE CAN STEAL

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

On the other hand; it is important not to spend so long worrying over what you have that you do not have the time or the inclination to work on bringing more wealth into your life. We have to repeat here that it is vital not to pass your responsibility regarding your finances to anyone. Not your partner, your spouse, your best friend or a trusted family member.

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Lots of people cannot be trusted, and it often seems today that people have elastic ideas of honesty. Of course, this is a wild generalisation, and there are honest and trustworthy people around, but how do you know for sure? It's best to do the work yourself.

If you lose money, then you won't have any resentment to anyone for losing it for you, and if they are family, it won't cause the deep hurt which it so often does. Many high-ranking politicians in government have been forced to pay back money that they have taken, taxpayers' money, which wasn't theirs.

There were a few, very few, prosecutions to reassure us all how seriously they were taking things; but most got off free of all criminal charges, just by paying it back - and sometimes not even that. They stayed in government, or came back in quietly, after a short interval, and continue to decide how much of our money they can acquire and spend however they think best.

Don't misunderstand me, we are absolutely saying that you must pay all taxes on your income that is required of you. Tax evasion is illegal. However, it is your duty, in a way, not to pay more than you must.

If you can get a tax free savings account, which is paying a reasonable amount of interest, then use it. If you can save capital gains taxes by protecting your investments in an authorised way, then that's great, and the money is then saved to spend as you think is right.

Thieves look to steal your wealth, whether by taxes (which can't be avoided) or by thieves who are trying to persuade you that their investment is the way to go.

READ, STUDY, LEARN - THEN MAKE UP OWN MIND

Your wealth is most important to you. No-one else has any right to it. Protecting your wealth can be as simple as not leaving your handbag where you can't see it, to making sure that you are not paying too much for items and services. It can be learning all you can about any investment that is presented to you, and asking yourself if this is so good, why is he trying to get me to buy this, when he isn't?'

A farmer in Cradock was once visited by a young man who wanted to sell him a share tracking system for his computer, which would tell him when to buy shares and when to sell. "You can just follow the system and never have to work again", the young man said, to which the wise old guy said: "well why are you not using it and trying to sell the bloody thing to me?"

The heading of this section is that you should read, study, and learn about whatever you intend to do with your wealth. If you intend to invest some money in gaining a new qualification, find out how it will help you to earn more.

Want to become a lawyer? Find out how much it will cost to qualify, and how much lawyers earn, after all the costs of being one. How much does it cost to dress well, have the necessary insurances, hire a luxury office etc.?

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If you're a painter and decorator, and you see that marbled paint effects are popular and that people are being charged this much per hour for them, then do esearch. A three day training course costs X amount, and the quality of the teaching is good (speak to someone who has done the training and is using it). Is it worth it? Then go for it - or not.

See a need for a new product, then see how much will it cost to research how to make a prototype. Maybe you can use savings, maybe you can get family and friends to fund your research and development.

If you want to study drama, then do not necessarily think - I'll invest my savings on this, as I could become a teacher. No, unless a teacher is where you want to be (why do you want to be a millionaire?) then it's not an investment. Study this, for sure. For fun, towards your lifelong learning, but use your other savings, not your hard-earned money, and set-aside a few bucks which are going to make you a millionaire.

You may decide to look at real estate as part of your wealth strategy. This can be a great idea. You can profit in many multiples of tens of thousands per deal, by buying low, refurbishing and selling property. You can also lose out - but it's one way of learning. Again, do your research.

An estate agent will often tell you anything to make the sale, even though he/she knows the area next door is earmarked for a low cost housing development that will drive market prices down in 6 months! Is the housing market in a bubble? Are mortgages harder to get hold of? Would you be better off investing in a PUT (Property Unit Trust)?

Maybe consider buying to build up a rental portfolio rather than just selling the properties.

All the time, do research to make your investment as secure as possible, while still understanding the risks involved, and knowing that totally risk-free investments are not enough to make you really wealthy in less than a lifetime, and even then, inflation is also a big a risk to your money.

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

OLD ADVICE MAY NO LONGER WORK

If you are studying various investment types, it is important to remember that books and websites must be up-to-date. Modern investing is changing very fast, and reading a book that is ten years old can seriously teach you the wrong things. The global nature of today's markets, the speed of the Internet, and the ability of the ignorant to put information online without any form of accuracy checking make it vital that you keep your wits about you.

Ten years ago internet and e-mail marketing was considered impersonal and not a good way of promoting your business. Nowadays with the wide array of social media sites, it is becoming one of the best (and most cost effective ways) of marketing your business and generating sales.

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

A good way to learn is actually by risking a little bit of your wealth. If you buy a Kruger Rand, you will be watching the movement of gold and the rand/dollar exchange with more interest, this will give you a more focussed approach towards your investment process.

WHAT'S IN IT FOR THFM?

When considering investment opportunities a good question to ask yourself is "what's in it for them?" If someone is trying to get you to invest in something, ask yourself why they are so interested in using your money for it when it seems such a good idea. It can also be a good idea to ask them outright, "If this is so good, have you invested in it too?", and "How much?", "Why is it a good idea for me to invest too?" And "Do you make anything out of it?" Then you'll need to consider whether to believe what they've told you, whether it makes sense. Maybe ring up the investment company and ask their commission rates.

If someone isn't telling you the truth, that's not a good basis for a future financial relationship and doesn't inspire much trust.

WHAT THEY DON'T WANT YOU TO KNOW

Another point to consider here is whether there is anything a salesman is not telling you. A glossy brochure and website can be put together very impressively these days by an individual in a bachelor flat. A posh postal address and telephone answering service can be hired for a small sum.

The brochure can have lots of graphs and charts showing impressive figures, and often it can be difficult to find out the accuracy of these as there are no references to allow you to check them. If you are considering investing with an individual or organization, you need to be asking questions and delving deeper. This shows that you are more sophisticated than the average punter and you will be treated with more respect. The more you are considering investing, the more you need to check, don't be pressured into concluding a deal because "you have to get in now before the investment runs!", at least that's what you are being told. Have you ever watched the movie called "The Boiler Room" - guys in a warehouse flogging non-existent share offers to greedy people wanting to get rich overnight!

It may be that you decide to invest a smaller amount to start with, and see how it goes. Your relatives and friends will repeat the mantra to you that 'if it sounds too good to be true, it usually is'. In the last 10 years many South Africans have been conned with stories that were "too good to be true", which is exactly what happened in the end.

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

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

FUTURE CERTAINTY: REAL SECURITY IS IN YOURSELF, YOUR HEALTH AND KNOWLEDGE

Whatever else we've been telling you in this book, we'd like to remind you again that real security in life is not just in wealth. You always need to make sure that you are investing in your health, your family and your skills. The world is in such a crazy state that you have to be doubly on your quard to ensure that you are not taken by surprise when odd things happen.

A fairly true bumper sticker said the following:

'History repeats itself. Has to, no-one listens.'

Though it was truism, it isn't any more. History is unlikely to repeat itself since the dawn of the Internet age and globalization; no-one really knows what will happen in future.

Who would have dreamed that great banking institutions would fail; that 'developed' nations would print money to stay ahead, and be frightened to stop; that dealers would be trading billions of virtual/real money on inventions that nobody really understood, but didn't dare admit.

This is why it is so important to increase your knowledge of finance and money. It is no good saying "Oh, I'm bad with money, that's just the way it is." If you are smart enough to have read this far, you can decide to be better with money. Then it won't turn and bite you on the backside.

Learn from anyone that you can. Consider everything you hear or read carefully, and decide whether it is relevant to your situation today and not out-of-date, which could be dangerous. An aged man once said: "A wise man can learn more from a foolish question, than a foolish man can learn from a wise answer!"

OWN YOUR OWN HOME - HAVE NO DEBT

Now, this is another thing that you will hear conflicting advice about.

My view is that, in general, you need to own your own home, not rent; and pay off your home loan. My reasoning is this:

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Firstly, it feels great. Owing no-one a cent is the greatest feeling in the world. Nobody can throw you out (except for having to pay property taxes and levies).

Secondly, you have an asset that you can use as security should you need to (We really don't advise this, because it'll then negate that no debt feeling).

Thirdly, if you should fall on harder times, if work is hard to come by, then not having to pay a home loan or rent payment each month can make living on a reduced income much easier.

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

Firstly, that you actually have spare money to invest. If you pay off the mortgage, there is an opportunity cost - you cannot then spend the money on other investments which may make you spend more than you are spending on mortgage interest.

Secondly, some recommend that you rent. They state that owning a home is an illiquid asset, that can't be easily sold and cashed in if it became necessary; that if you rent, you can just decide to up and move to where the opportunities may be greater, leaving behind any problems for your landlord.

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

This is one area where you need to make up your own mind as to which scenario fits your situation the best. In the past, financial gurus have always said that owning your own home is essential to being wealthy; but nowadays there are many wealthy individuals who do not own their own home.

Indeed, some wealthy people do not live anywhere permanently, but are 'perpetual travellers'. If this lifestyle suits you, you may not live anywhere long enough each year to have to pay tax to anyone. But that's for when you are wealthy.

You don't need to be very wealthy not to have a permanent home. Some homeless have nothing; some young people with no obligations to family can 'sofa-surf', staying with friends and extended family. Maybe they choose to work where accommodation is provided.

This is a way to live very cheaply indeed, and you can build your wealth fast in these circumstances. We recently came across a story of a young professional baseball player who earned on average \$2,000,000 a season, but chose simplicity and lived in a motorhome! Maybe that is a bit extreme but it can be done.

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THE LOWER YOUR LIVING COSTS, THE LESS YOU NEED INVESTED

Another part of being prepared for all eventualities in this crazy world in the future, is to reduce your essential living costs. If you can live on twenty thousand rand a month, you'll be able to live off your investments without the need to work on much less capital (about R3,000,000) than if you have to bring in forty thousand each month (R6,000,000).

When you are building wealth, if you get R40,000 coming in per month, and still only have to spend R20,000, then you have a much higher disposable income to enjoy - save half and spend half, if you must; or save it all and watch your motivation soar.

Don't borrow to spend. Remember, it's not much fun having to make payments on stuff you bought a year ago and can't even remember what it was. Reducing your living costs is in most instances possible. We have seen in our past experience that the average South African can reduce their non-essential spending by up to 30 percent. On a budget of R50,000 this can be as high as R15,000 per month. Invested well, R15,000 at 8 percent compound rate of return can grow to more than R10,372,249 over twenty years.

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

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

REDUCE LIVING COSTS AND INVEST IN INCOME

We should continue to keep on saving on expenses and keep earning extra income until our passive income has replaced what we earn - and then some. We generally need less than our current income to live on; after all, we are investing quite a bit of it. However, a good safety net is a passive income that is at least 50 percent above what we need. Then we can invest the extra and increase our income to keep pace with inflation.

It is important to know when enough is enough. Maybe you can start thinking about that during the course of your wealth journey. In the resources section, we list lots of further reading you may like to undertake. In one book "Your Money or Your Life", Joe Dominguez talks about the point of financial independence.

The chart that he describes in chapter eight, another motivator, shows your income each month, and your expenses for each month, and then adds the income from your investments each month (this was written back in the days when a six percent income on Treasury Bonds was possible) We love the subtitle of the chapter - 'the pot of gold at the end of the wall chart'. Gradually, each month, the last line creeps upwards and when it crosses the expenses line is when you never HAVE to work again, unless you want to.

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GFT THE CASH FLOW BEFORE THE ITEM

Again, in the resources section, we mention another book (Rich Dad, Poor Dad), and one piece of his advice is to make sure that you get the cash flow from your investments before you buy the item which has running costs. Kiyosaki, the author, uses the example of a car. The running costs of insurance, fuel, maintenance, etc. were added up to a monthly figure and when the monthly income from investments reached that amount, he could afford to maintain the car, and could acquire the cash to buy it. Chances are, and this is said from experience, that once you have accumulated enough cash to buy the car you inevitably buy a smaller less expensive car.

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

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

- Thomas J. Stanley, The Millionaire Next Door

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CONTROL THY EXPENDITURE

THE WORKINGS OF A GOOD GPS

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

- Casey Stengel

A GPS has a very simple function, getting you to your end destination. It works very simply off satellite coordinates that triangulates where you are, if you choose a variation of destination it will give you options of the quickest route. Our Wealth GPS works in exactly the same manner. We need to understand what your starting point is (Your Personal Budget), what your end destination is (Your Financial Goals, Retirement Plan or Financial Independence Date) and then lastly how to tackle the journey (Your Wealth Creation Plan).

START BUDGETING

The first step in achieving your financial freedom is to start budgeting. I'll not bore you with accounting principles. And no, you do not need an accountant to do basic budgeting.

Now, the bigger question – do you keep track of your money? No, I'm not talking about "abnormal" or unusual expenses such as buying a car, buying a new refrigerator, or organising a wedding.

Indeed, these expenses are outside of your normal routine and highly unpredictable in terms of timing and planning but you can still include these as a part of your budget. So, hold on to your horses, and let us prepare your budget.

STEP ONE: Track your monthly spend

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

STEP TWO: Track your annual expenses

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

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

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

- William Feather

STEP THREE: Track Your Once-in-Five/Ten-Year Expenses.

The bigger expenses often catch you off guard. For example, you may need to repair your house, need a new car, etc.

Rather than financing these expenses at a later stage, it is a good idea to make a payment to yourself every month even if at first it might look like it is impossible to do.

Calculate how much such once-in-five/ten year items will cost. Divide it by the time frame and earmark this amount as 'pay yourself' every month.

For example, You want to buy a car worth R250,000 four years from now. This means you have to save R5,200 per month for the next forty-eight months. Set up an automatic monthly transfer of R5,200 from your cheque account to a savings account.

Of course, you will also save for other personal goals like R750 per month for vacation, R250 per month for the new roof; net-net, the total amount being transferred is significant.

STEP FOUR: Track Your Once-In-A-Lifetime Expenses

Okay, we are not done yet. The biggest amount you will have to shell out will be your once-in-a-lifetime expenses like University Costs, weddings, etc.

Save for these by determining how much it will cost, and divide it by the time frame.

For example, if you want to earmark R500,000 towards your child's university expenses and if your child is currently 6 years old, they will go to university in twelve years from now, which is 144 months.

Now divide R500,000 by 144, which equals to R3,472. This means, you will have to save a minimum of R3,472 per month in a university fund.

However, the interesting thing to note is that twelve years from now, R500,000 will not have the same purchasing power as today. Factor inflation into your calculations and compensate for it.

For instance, you're contributing R3,472 per month this year towards your kid's university fund. Assuming an inflation of six percent a year, multiply R3,472 by 1.06. This equals to R3,680, an increase of R208 per month.

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

BUDGET WORKSHEETS

Below are three worksheets that will help you to create a budget. This will also give you a birdseye view for the next month so that you can plan effectively.

We know that you are learning so let's start slowly. Focus on using one worksheet and once you master it, move to the other. For example, you can use the discretionary spending worksheet to calculate your expense towards fun and entertainment.

BUDGET WORKSHEET - INCOME AND NECESSITIES

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

HOW TO USE THIS

Use either this worksheet alone or consider using all the worksheets together to create a complete budget.

This worksheet helps you track the most critical items on your list; your income and your necessary spending.

TIP

We highly recommend you use all the worksheets together to create a comprehensive budget. However, if you decide to go slowly and do one at a time, this one should go first. If you are not earning enough to pay for your basic living, you have to know it right now!

HOW TO USE THIS WORKSHEET

Fill in the 'monthly estimate' column once you review your financial records. Everything you write here will represent a monthly average.

The 'actual' column should reflect how much you actually spent at the end of each month. The amount may be above average for some months and for others it may be below.

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Next Step: Fill In Your Necessary Expenses

INCOME SOURCE	MONTHLY ESTIMATE	ACTUAL
Source 1		
Source 2		
Source 3		
TOTAL		

What are "Necessary" Costs?

This worksheet consists of all the accounts you have to pay. Note that not all categories (like property taxes) will be applicable for you. You can optimize these costs by finding alternatives.

NECESSARY EXPENSES	MONTHLY ESTIMATE	ACTUAL
Rent or Mortage		
Groceries		
Electricity		
Water and Sewage		
Medical Aid / Co- Pays		
Medical Aid GAP Cover		
Short Term Insurance		
Vehicle Repairs / Maintenance		
Fuel / Public Transit		
Phone (Landline and Cellphone)		
Loan Payment		
Homeowners Insurance		
HOA fee		

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NECESSARY EXPENSES	MONTHLY ESTIMATE	ACTUAL
Property Tax		
Life Insurance		
Income Tax		
Basic Toiletries		
Child Care		
Petcare and Veterinary		
Retirement Provision		
Other		
Other		
TOTAL		

BUDGET WORKSHEET - DISCRETIONARY SPENDING

This worksheet will help you decide how much money you spend on discretionary items.

HOW TO USE THIS

Like the previous worksheet, you can either use it alone or along with the other two to create a complete budget.

WHAT DO YOU MEAN BY "DISCRETIONARY"?

This worksheet consists of expenses that are easy to cut. It is your call what to term as a necessity. Some people find it hard to categorise satellite television and Internet as discretionary.

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DISCRETIONARY EXPENSES	MONTHLY ESTIMATE	ACTUAL
Satelite TV		
Internet		
Dining Out // Restaurants		
Fast Food		
Clothing		
Gym / Wellness Expenses		
Beauty Products		
Subscriptions (Magazines etc.)		
Professional Bodies / Club Membership		
Hobbies . Sports		
Lessons (Music, Art etc.)		
Holidays and Gifts		
Charitable Donations		
Other		
Other		
TOTAL		

If the Discretionary Spending Worksheet is the only budget worksheet you are working on, it is a good time to identify the areas where you are spending 'extra' money. Use this list and narrow it down to make cuts in your budget, wherever required.

We highly recommend using this worksheet along with the income and necessary expenses worksheet to create a complete budget.

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NEXT STEP FOR A COMPLETE BUDGET

Add your fixed and discretionary totals and enter them below if you have used the other worksheet

MONTHLY EXPENSES	MONTHLY ESTIMATE	ACTUAL
Total Expenses (Necessary + Discretionary)		
Total Income		
DIFFERENCE		

In case you spend more than you earn, you must make cuts to your budget immediately to avoid debt or piling your debt.

BUDGET WORKSHEET - SAVINGS GOALS

Why should you save? Well, for lot of reasons. Maybe you want a nice car, a bigger home, a holiday to Europe, or maybe you want to pay off your loans. Or you want to reinvest it. (My personal favourite!)

Saving is an essential component of your budget.

This budget will help you list your goals. Compare this with how much you can realistically budget towards savings. Prioritise accordingly.

MAKE THE MOST OF THIS SHEET

You can either use this worksheet alone to make priorities or (we highly recommend) use this along with the other budget worksheets to create a complete budget.

TIPS

To determine how much you want to save every month for a certain goal, it is important to decide how much you are going to save in total. Decide your deadline and divide the amount by the total number of months until your deadline to calculate how much you should save every month.

For example, if you want to save R120,000 for your wedding next year, you will need to save R10,000 per month. At the end of the month, write down how much you actually saved so that you can determine if you are in line with your goals or not.

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SHORT-TERM / EMERGENCY FUND GOALS

These are the savings you need to fall back on when life's emergencies arise.

SHORT-TERM GOALS	MONTHLY GOAL	ACTUAL
Motor Vehicle repairs / maintenance		
House repairs / maintenance		
Illness or Accident		
Retrenchment Provision		
Safety Bucket		
TOTAL		

MID-TERM AND NON-EMERGENCY GOALS

These goals lie in a five to ten year timespan.

MID-TERM GOALS	MONTHLY GOAL	ACTUAL
Wedding		
Vehicle Purchase		
Holiday		
University Education		
Home Remodelling		
Down Payment		
Holiday Gifts		
Miscellaneous		
TOTAL		

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LONG-TERM GOALS

This is for people with goals that have a longer time frame, longer than ten years, though it may not be applicable to everyone. Adjust this in line with the mid-term category.

LONG-TERM GOALS	MONTHLY GOAL	ACTUAL
Retirement		
Buying a Second Home		
Other		
Other		
TOTAL		

Now, add the totals and compare it with the amount you were able to save. You can arrive at this number by filling out the income and necessities worksheet and the discretionary spending worksheet.

If your goals are higher than the amount that you can save, you have three options:

- · Cut your spending;
- · Reduce the amount of your goals;
- · Extend the deadline of your goals.

If your savings exceeds your goals, bravo! Add more goals or reduce the timeframe for the existing goals.

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MAKE THY GOLD MULTIPLY!

MAKE MORE MONEY

"Money does not make you happy but it quiets your nerves."

- Sean O'Casey

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

YOUR R100 PLAN (OR MULTIPLES OF R100)

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

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

This is your future, your money. No-one has any hold on it, not even you for any reason other than you're becoming wealthy. We don't care if you were looking at your lunch money, go without. Be serious here, or you might as well not read any further unless for light entertainment.

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

SORRY, ONLY A NET R100 COUNTS

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

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REMEMBER, IT TAKES TIME TO EARN R100

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

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

You do not need a twenty page business plan for most ultra-small businesses. You don't intend to borrow money from the bank, do you?

When you think of an idea, ask yourself "How can I earn one hundred rand from this?" and just do it.

This small exercise will teach you three things:

- · Did you enjoy it?
- Was it worth it (considering the time, effort and investment for that hundred bucks)?
- · Can it be scaled up and done again and again?

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

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

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

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

- Paul Harvey

Don't disregard the power of this exercise. Consider the following; if you know how to make R100, do you think it is possible to make R200? What about R400? It literally takes the skill of learning to double a R100 fifteen times to get to R 1,638,400.

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1	R 100
2	R 200
3	R 400
4	R 800
5	R 1,600
6	R 3,200
7	R 6,400
8	R 12,800
9	R 25,600
10	R 51,200
11	R 102,400
12	R 204,800
13	R 409,600
14	R 819,200
15	R 1,638,400

WORKING FOR IT: YOU WILL NEED TO BE DETERMINED AND PERSISTENT

When you are working to increase your income, it can seem like a long and lonely slog. This is why we began the book with the sections on motivation.

Before we start on this extra earnings section however, can we remind you of your goal? You are saving, R100 at a time, to become a millionaire as quickly as you can; or even more wealthy than that.

If you earn extra money, you are not doing it to save for a new computer, to go on a great holiday, or pay a deposit on a new car, are you?

Your R100 and savings are your long-term workers, which, when invested in your future, will prevent you needing to work unless you want to, ever again.

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

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THERE ARE SEVERAL WAYS TO EARN AN EXTRA R100 IN YOUR MAIN JOB.

One is to work extra hours: If you normally work five days a week, and are offered overtime to do an extra day, it can sometimes seem like the end of the world for your life and social plans. Making money can be hard work - don't reward yourself too early.

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

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

Another way is to get a pay rise. Whatever your job, you are in fact in sales; maybe you are just selling your time to your employer adding value to his/her business.

In this way, you can add lots of value; arrive at work promptly (or even early), stay on late, do anything that needs doing, even if it is not your job. Try and get on with everybody; make suggestions for improving business, and willingly try new things that are suggested.

However, you need to make sure that this is noticed. If you are too modest, others may get the credit - and the pay rise that you were going to ask for, once you have proved that you are indispensable.

You may be promoted as well, but you will need to be proactive and keep your eyes on the staff movements and potential movements.

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

A fourth way is to be head-hunted by a competitor company who notices that your work ethic is essential to their business. Never dismiss an approach like this. It is always worth careful consideration even if you eventually decide to turn down the offer.

Be careful also not to burn any bridges. Be polite and courteous, you never know if you may decide you want to work with that company or individual again in the future.

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

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

- John Wooden

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KEEPING YOUR EYES ON THE GOAL

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

The owner of the business that employs you is the one getting rich. All the net profits of the business are theirs (or the shareholders). Businesses are run to make a profit for their owners, not help their employees to get rich.

To make a profit, they sell for the highest price they can make, and keep their costs at the lowest they can - and that includes employees.

Later on, that'll translate into you having your own business and being on the right side of the boss/worker divide.

If you have a look at the richest people in the world, every single one on the top of the charts own an equity stake in some business.

EARNINGS FROM A SECOND JOB

It may be that you cannot get overtime in your main job, and that you have spare hours where you can take on extra work.

Examine your skills. Find out where you can earn the extra money that will take you towards your dream. A side job like this can be a great way of scoping a business idea.

If you have a dream of opening a restaurant (or chain of them), there is nothing better than a job as a waiter to find out the real business issues. New skills in any side job can be valuable and can be portable into many different situations.

HAVE ONE OR MORE SIDE BUSINESSES

Another way to look at time that you have available for amassing your fortune is to look at starting your own business working from home.

This is a great idea. Not only will you make money (with the right idea), but you will learn a tremendous amount about accounting, administration and other matters, as well as how to provide value to your customers or clients.

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

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SELL STUFF

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

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

Selling your own no longer needed stuff on OLX is a good way to get extra money and begin gathering your R100s. Then you may start selling things for neighbours on commission and graduate to buying items deliberately to sell.

Remember that selling your own old stuff is not a business, but selling items deliberately bought in order to sell, is. You need to start keeping records and inform the tax authorities.

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

SERVICE BUSINESSES

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

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

ONLINE - WEB DESIGN, APPS ETC.

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

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

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At the time of writing, smarter people than myself are advertising their talent of programming your app idea. That is a great idea if you can do it. Although now there are some programs that mean people can program their own app - this means your talents must show in much more professional products - or of course, you may be in demand untangling the mess they've got into!

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

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

NETWORK MARKETING JUST FOR 1ST DAY PROFITS

You will probably be reading this section with your lip curling, ready to give up on the whole thing, but please don't. NM, sometimes called MLM, has a terrible reputation, often deservedly so. But here we are recommending it to use in a very specific way. You are going to choose the company very carefully, not just any company that your enthusiastic relative is trying to push on you.

You will choose a company that is a full member of the Direct Selling Association; a company that has products that you like, with low costs, that are consumable (which means that the customer uses them up and then needs more - whether greetings cards, vitamins, or household goods), and which does not have a large up-front cost.

Then you are going to show the catalogues and samples to people without buying the products first, and without ordering lots of extra catalogues and other sales stationery.

Buy nothing ahead of having sold it first, and have a positive cash flow and profit from the start. Many NM companies will have a 30 percent gross profit margin, which should leave you with 20 percent after costs, but before tax.

You will make, not lose money, and gain great experience in trading products for reward.

LONG-TERM RESIDUAL INCOMES

Long-term residual incomes are the holy grail of the earning section and merit a chapter to themselves.

"If you can count your money you don't have a billion dollars."

- J. Paul Getty

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PASSIVE INCOME

What is residual or passive income?

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

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

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

INTEREST

As small children we learn what this is. You pay money into your bank account, and earn interest on it. We learn more painfully about this the other way around when we become young adults and get our first credit card or loan. Here the bank is lending you the money, and you are paying interest for the privilege. What? You thought that credit limit on the card meant it was your money?

No, the banks don't give you that money out of the kindness of their hearts, you know. It is their money seed, being invested via a loan to make them a passive income. And don't you just know it, the interest rate at which you borrow is way higher than anything you can earn in your savings account in the same bank. It's a mug's game, this borrowing cycle, and to be really wealthy and secure you need to grab hold of these concepts and understand them.

Remember, when you put the money in the bank, it's now no longer your money in your account. You have loaned them the money, on certain terms, and you are now a creditor being paid the interest with the right to get it back under the agreed terms, access on demand, 30 days' notice, etc. If the bank gets into financial difficulties, they may not be able to give it back to you on demand - very unlikely, but in this crazy world, not entirely impossible.

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

After a huge outcry, those with small deposits lost 'only' a small percentage of their money, those unlucky enough to have put a larger amount in (one 60 year old, from a house sale) lost

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up to half their money. Some bigger investors (reputedly tens of billions in Russian currency) lost most or all of it.

DIVIDENDS

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

This is entirely at the discretion of the Board of Directors and if they need the money to remain in the company to invest further, or they've taken some action that has resulted in poorer profits, the dividend income may be less or dry up completely for a while.

As a part-owner in the business, albeit a very tiny one, you have a say in how the company is run, by going to the shareholders meetings and voting to keep or ditch the Board.

However that is not the object of the exercise here. To get the passive income, you choose a company you think (by research) is doing well in a field you understand and think is secure, buy your shares, and wait for the dividends to be paid into your bank account.

You can hold these stocks directly, or in an investment company owned by you, or as part of a nominee account with a stockbroker who can hold them for you, maybe inside a tax-efficient 'wrapper'.

PASSIVE BUSINESSES/RENTALS ETC.

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

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

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

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ROYALTIES, ANOTHER AUTOMATIC INCOME

This type of income is earned by work you have done earlier.

Pop stars get royalty income from sales of the albums they have worked to produce; and they also get licensing fees from the use of their names on memorabilia products.

Composers get royalty income when their music is played, bought, or downloaded.

Authors get royalty payments when their books are sold and sometimes when they are borrowed; passive income as a reward for their earlier hard work in writing something that is of value to their buyers.

Artists such as photographers get royalty payments when their prints are sold, or prints of original paintings or other works.

Copyright laws protect the artists from plagiarism or copying.

BE LEGAL FROM THE BEGINNING

One thing that we would like to say here is that it is really important to do everything right from the beginning.

Many people become accidental landlords, for example, because they can't sell their house when they move, so they rent it; forgetting to inform the authorities, their mortgage company, or their home insurance.

Later, the chickens come home to roost and, not having kept records; they cannot prove that they weren't making much profit, and are assessed for more tax than they needed to pay.

Or the house sustains storm damage, and the house insurance does not pay out as they hadn't been informed that the property was no longer owner-occupied.

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

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

- Richard Branson

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GUARD THY TREASURES FROM LOSS

PROTECTING YOUR MONEY

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

Now some older people - who don't live extravagantly - are living in homes that cost them just a few thousand fifty years ago, and which are now worth over a million. Just because of that, these are wealthy people; but they aren't, not really, unless they sell up, downsize and invest the proceeds. It used to be a sure-fire way of increasing wealth, but real estate is not so certain these days, although it can be, when done with care and knowledge. We often hear people saying how "much" they have made from a property that they sold for R1,000,000 and only paid R 600,000 for eight years ago, but they forget that they paid close to 8 percent for transfer fees and legal fees etc., and the cost of maintaining the house - then consider the actual cost of the house by calculating the monthly repayment and multiplying it by the number of months - you will quickly find that interest paid has eaten up much of your so called profit.

Living the millionaire lifestyle is quite easy during boom years. Access to credit is easy, the thought that anything has to be paid back is for old fuddy-duddies. Lots of people a decade ago were living as wealthy people, but putting the cost on credit cards, and building their lives on debt. This tends to catch up with you rather fast, and eventually you can borrow no more.

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

We need to focus on building wealth first and then the lifestyle will follow if and when and how you wish.

You can't borrow now as you used to be able to. And if you can, you shouldn't want to. Because if you borrow, you inevitably pay more for each item than you would if you didn't have to pay the interest on the debt. If you're not paying interest; you have plugged the debt hole in your hot tub of wealth, and that money can be used elsewhere - to build wealth or to spend on what you need, rather than to make another banker richer.

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ASPECTS OF ESTATE PLANNING

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

Do not worry and rest assured that you can shield some of your assets. In this chapter, we will show you some measures to protect your savings, which can also save you hundreds of thousands of estate duty.

It is a common fact that more than 70 percent of South Africans do not have an updated Will. This considering that it could be done for free in as little as thirty minutes. People who do not have an UPDATED Will can be seen by some to be very selfish, as they leave the winding up of the estate to loved ones, who are already going through the anguish of a loss of life, and the process takes much longer. I have seen many close families fall apart because of estates not being planned properly, which leads to fighting and greed.

From the following, we hope you understand what we mean by the importance of having a well-thought out estate plan. It can make a tremendous difference in your children's life once you're not around. Among the situations for you to ponder include the following:

RISK OF SELFISH RELATIVES

Should you die without a Will that names a guardian for your children, the court has the power to appoint a guardian and grant them custody of your children. It may be someone you don't want or someone you feel isn't qualified.

The court would not know a person as well as you do. Perhaps you feel a certain relative is completely unqualified to be a guardian for your children. However, if the relative approaches the court and seeks custody of your children, and proves themselves, this becomes a risk for your children.

EXPENSIVE PROCEDURE

Minor children (below the age of eighteen) aren't allowed to have ownership of assets beyond a certain amount. If you haven't made detailed estate planning decisions when naming beneficiaries over your assets, the court would appoint a guardian over your estate to oversee the process of inheritance. For such procedures, it would be very expensive.

These procedures of getting the property released and approving certain expenditures require the use of a lawyer and would cost a lot. These are all unnecessary expenses that can be saved by having a thorough estate plan. By having an iron-clad estate plan, you avoid this scenario and ensure that your money is left to your children.

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POWER OF ATTORNEY

Besides making provision for the event of your death, you also need to make provision in the event that you may become disabled or incapacitated. If such a situation happens, your children's lives would be seriously impacted if you haven't signed a durable power of attorney.

A Power Of Attorney gives the rights to make decisions on behalf of you to another person. If you can't communicate, manage finances and your affairs; there can be family members who may go to court to obtain a conservatorship. You never know what they are up to. Having a durable power of attorney protects that. One of the biggest aspects to consider is our parents.

Unfortunately they are not getting younger and the risk of illnesses such as Alzheimer's or other mental diseases could be a reality. A well-crafted Power of Attorney could provide the necessary support and comfort should something like this happen.

We explain many of the various considerations in the next few sections. We seriously hope you have given more thought about the estate planning process. You should realise by now how important having an estate plan is. Another important thing to consider is a "Living Will". This is a Will stating that if you are unable to stay alive without the support of machines, and are mentally unaware of situations around you, that you request that the machines be switched off - this is NOT an assisted suicide, but it definitely takes the onerous decision away from loved ones of whether to turn the machines off or not. People in these circumstances can live with guilt for the rest of their lives if they make that decision without you having a "Living Will".

Without a well thought out estate plan, you only put your children's lives in great jeopardy in the hands of other people.

ESTATE PLANNING

There are various aspects of estate planning. In this section, you will learn about the various aspects that you need to consider when planning your estate.

- WILL

The Will is perhaps the most popular estate planning tool. For most laymen who don't have that many assets, a Will helps you transfer your assets upon your death. Having a valid Will, will ensure that the probate process and the distribution of your assets go smoothly. If you don't have a Will, it would be way more difficult. It may take up too much time and end up being very costly.

Estates can easily take years to wind up! You can also name a guardian for your children in your Will. You can also send any messages to your loved ones.

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- INTER VIVOS (LIVING) TRUST

For most people, a Will would be sufficient. However, for some wealthier people, a trust would be more suitable. It is a legal document that becomes valid when you execute the documents and your property is transferred into it. While you are alive, you manage the assets. When you are dead, it will be passed directly to a trustee of your choice without involving probate. Although you can't name a guardian for your children in a living trust, you can still use a Will to do so, in conjunction with the living trust.

LIVING WILL

This is a document which states your wishes in certain health-related scenario. While a Power Of Attorney allows another person the decision making power over your care and assets should you be incapacitated, a living Will spells our exactly what you want done in specific cases. This may include situations when you are in a coma or when you can't be resuscitated as well as your wishes to become an organ donor. South Africa has a general shortage of organ donors and by committing to become a donor you could save up to seven lives, an awesome way to leave a legacy behind.

CONSIDERATIONS BEFORE STARTING WITH ESTATE PLANNING

As mentioned earlier according to statistics, more than 70 percent of South Africans don't have a Will. A basic Will seems so easy to set up yet many people aren't getting it done. Generally, there are two groups of people when it comes to estate planning:

- The people who simply don't have their estate planned;
- The people who want to have their estate planned, but make a mess out of it, or don't update their Will when their circumstances change (i.e. a second child is born and everything is left to one child, or things don't get changed after a divorce etc.).

If you don't want to have your estate planned or are simply too lazy to do it, there is nothing much we can do to help you. At this point, you can simply stop reading this book and forget about estate planning. We have already tried our best in the previous section to explain the importance of estate planning to you.

However, if you fall in the second category of people, we can share with you our experiences about these people. There are many people who fall in to the second category who tend to make things complicated to a point where it becomes impossible for them to make decisions. More often than not, it is because of information overload.

They become paralysed by the many considerations they need to make and find it hard to move ahead with the setting up of their estate plan. We met a couple who was concerned about their estate planning after their best friend suddenly passed away at the ripe age of thirty-nine.

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They went to learn as much as possible about estate planning to ensure that their two children would be protected should something unfortunate happen to them. They started to overanalyse and had trouble coming up with a suitable candidate for a guardian. Their parents lived too far away while her siblings weren't suitable. Her brother was deemed to stay too far away as well as in a location that she didn't like. Her sister was a great guardian but had terrible problems with money.

This couple took everything into consideration and simply had the case of "analysis paralysis", a situation many people have when planning their estates for the first time.

In this section, we will share some major questions that you will need to consider when starting off your estate planning. This isn't to make you paralysed and make you think too much. Rather, it is meant to make you focus on the important questions you need to ask yourself during the process of estate planning.

QUESTION 1: DO YOU HAVE CHILDREN WHO ARE MINORS AND REQUIRE A LOT OF ATTENTION?

You may think that you are young and nothing will happen to you now. But you never know what may happen. There are many who are still below the age of thirty-five and their children haven't even graduated from crèche.

Young children require a lot of attention. When planning, you need to consider all of the potential circumstances. You may live until you are ninety and see your children have their own children. Likewise, you may be gone tomorrow. Make plans that cover every possibility. Don't worry, you can make changes later as your children get older.

OUESTION 2: DO YOU HAVE A 'SIMPLE' ESTATE?

Is your estate fairly simple and small enough that a single beneficiary can be named on all your assets? If you don't own a home, have less than 5 million rand' worth in assets and all your assets are highly liquid, then it is alright.

You can easily name a single beneficiary on each of these assets and they will easily bypass probate. You may not need a trust or a Will either. However, most estates aren't that simple.

You have other considerations such as the real estate you own, personal items that have great value or other memorable items that mean a lot to your family members. That is another thing you need to consider.

Not everything has a rand value. Some items may not have much value to other people, but can be highly valuable for your own family members. Therefore, you need to take out a sheet of paper and list down everything that you own and want to give away should you be not around.

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QUESTION 3: DO YOU HAVE A LARGE ESTATE?

Are you someone who has a lot of assets and a high net worth? If you do, you would want to work with an estate planning lawyer. He or she will have to constantly update you about the various changes in the law. Legislation is constantly changing and impacts your tax payable tremendously.

Get advice from them and a tax advisor to see how you can minimise your tax exposure. Besides that, planning your estate well also give your beneficiaries tremendous tax savings during transfer. You need to ask your lawyer to explain to you how this happens.

QUESTION 4: DO YOU HAVE ANY SPECIAL DEMANDS FROM THE MONEY YOU LEAVE BEHIND?

If you have a child who is considered 'special-needs', you would like the trust to provide adequately for them. You want to make sure that they have enough money to live well.

Besides that, there would also be other wishes that you have for your money. This can be setting aside a sum for a charitable organisation or some special people in your life. These 'special people' may not be family members. Rather, they are people who have had a big impact on your life and you want to give them some money.

For this to happen, a trust would be more suitable than a Will because it has more power to keep on giving when you're not around. For the different wishes you have, you need to work with a lawyer to set it up. You need someone who is specialised to streamline the entire process.

OUESTION 5: WHO SHOULD HAVE POWER OF ATTORNEY?

A power of attorney is a written authorisation to represent or act on another's behalf in private affairs, business or other legal matters. Sometimes even against the wishes of the person authorising the power of attorney (in this case, that's you).

Having a durable power of attorney has great value. During your lifetime, having a durable power of attorney for financial matters allows your representative to manage your funds without being the joint owner of the accounts.

When you are setting up your Will or trust, the lawyer will have a package that includes setting up your power of attorney. All these questions are important things that you should consider before you start off with the process of estate planning.

It is crucial that you take time to consider these aspects before you even meet a lawyer. You wouldn't want to waste time and money on a lawyer explaining all these considerations to you.

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Although there are other considerations that your lawyer may bring up, we have found that these five considerations are the main ones. You should also understand the importance of these considerations to ensure you make the right choice.

STARTING OFF THE ESTATE PLANNING PROCESS

In the process of estate planning, it is advisable to have a trusted advisor or a lawyer who is an expert. This is especially important when you have a large estate and have complex demands within it. Perhaps you want a child to have only a small portion of it and want to give a percentage of your estate to charity each year. Different people have different demands.

There are some parents who have these 'complex demands' to teach their children certain lessons. We have seen situations where fathers choose to have some tests that the child needs to pass before he/she gets his estate. It is not within the confinements of this book to discuss much about this though. Therefore, hiring a lawyer can help advise you on how to plan your estate better. However, these lawyers are expensive because planning for your estate requires a lot of their time. Add to it your complex demands and it may cost you a pretty penny to have your estate planned.

We wouldn't say that it won't be worth it, but there are times where there are some things you can do before you start off with the process of estate planning. Here are some important things to consider before you head to a lawyer's office and plan your estate.

Ensure your custody agreements and other court orders are filed with a governing body Having a formal agreement helps to deal with the various problems that arise when planning your estate. If you don't have a formal agreement, take all necessary steps to get one.

LIST YOUR ASSETS

The assets that you have include your real estate, savings, insurance policies, equity and bank accounts. You also need to look at your liabilities, which means your debts and other future responsibilities.

It would be best if you limit, or pay off, your consumer debt and mortgage so that your estate comprises mainly of income, assets and only taxes liability on your estate once you are dead. This will make it much easier for the executor. You would also have a better idea which beneficiary would get what.

DECIDE ON A GUARDIAN FOR YOUR CHILDREN

Who will take care of your children in the event of your death? We have already gone into this consideration in the previous section. Analyse the various guardians possible and ask for their permission.

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Ideally, you should have two or three choices. Having a back-up matters. What happens if your primary choice dies before you? This is the purpose of a back-up guardian.

When deciding on a guardian for your children, consider the following: do they have good health, are they able to handle any financial burdens and able to teach your children well? We look for integrity in a person, because that says a lot about how they will raise our children.

PLAN FOR OTHER NEEDS

Your estate would also need to pay for the funeral costs and other estate taxes due upon death before considering the needs of your family after you have died.

It may seem like a great plan to sell your house to free up cash after you are dead, but you need to consider the taxes that arise from the sale. It may not be worth it. It would be better to have your children live in the house instead of selling it.

START AN EMERGENCY FUND

This should be an absolute must. This isn't estate planning advice, but plain 'financial' advice.

The extra money can be put aside at the beginning of each month. Make it as automated as possible so you won't be tempted to use it. You can benefit from the compound interest over a period of time.

ENSURE YOUR CHILD'S LIFE REMAINS THE SAME

We want our children's economic life to remain as unaffected as possible if something happens to us. Things might change if we're not around, but we want them to have the same standard of living.

You may also want to pay for their education, but bear in mind that there are tons of ways they could fund their own education.

From student loans to grants, the options seem to be endless. The main goal is to provide stability for your children while not burdening the guardian.

You should calculate an estimate of the costs involved to bring up your children until they are eighteen if you were to die today. Think about the rental that needs to be paid, the educational costs to put them through school, clothing, university, entertainment, extracurricular activities etc. It pays to be detailed.

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INSURF FVFRYTHING

You need to make sure everything is insured, but you don't have to over-insure. This includes having insurance for your loans and outstanding debt, a life insurance and credit insurance. All of them are important to ensure your beneficiaries won't be burdened by these liabilities in the future.

MEET A TRUSTED ADVISOR

Once you have everything ready, it is time to meet with a professional, qualified and trusted advisor. Ensure that he or she knows all the potential issues that you face together with what you want.

We have seen way too many people go to an advisor without knowing what they want or dealing with individuals who are not suitably qualified to give advice.

After you have provided your advisor with all the information together with the possibilities of what you want after you are dead, let them give you their advice. Let your advisor know who you want to be the guardian, executor and beneficiaries. Upon your discretion, your advisor will finalise your Will and have it correctly signed by you and your spouse (if applicable) with suitable witnesses, as any heirs or executors may not sign. Once signed you need to have a safe custody place where your Will can be easily found by surviving spouse or relatives.

Among these documents, also include your statement of assets and liabilities. It is important to update this statement regularly. You also need to reassess your Will when there are any major life changes. This can happen when you have more children, or divorce and remarry. Ideally, you should look to assess this situation annually.

HAVE A BACK UP

Having your own copy of the documentation helps tremendously. It would help if you get a safety deposit box to store those documents. This gives you proper access to it without the risk of losing it in a fire or flood. These few steps can be very helpful for people who have never given estate planning much thought. Every step has its importance that you need to consider.

Make sure that you have addressed all potential issues that would arise. It will be a real weight off your shoulders, as well as for those who could be affected by your possible early demise.

COSTS OF ESTATE PLANNING

It is understandable that many people neglect their estate planning. For some, money can be so tight that they never think about it at all.

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Moreover, estate planning is expensive if you don't know what to expect. It can be very painful to pay for estate planning as lawyers charge a lot of money. Worse still, you don't even understand the real benefits of it until you are gone.

WHY SPEND MONEY ON SOMETHING WHEN YOU CAN'T SEE ANY IMMEDIATE BENEFITS?

That becomes a common question. This is why many people don't have a Will. They simply find no reason to do so. However, there is an argument that doing something cheap is better than not doing anything. This is true. Even a basic Will saves a lot of money for the living, if you pass on. The average cost associated with a neglected estate is in excess of 30 percent. So for an estate worth R10,000,000 you could pay as much as R3,000,000, just because you didn't spend a couple of hours with the right advisors implementing a plan that would suit your estate.

If you die without a Will (intestate), the state law decides what to do with most of your belongings. It would not be according your wishes and would trouble your family members. It would cost them plenty of money and pain to get back those assets. Do you want that?

For many people, the do-it-yourself planning seems to be the only way. If your situation is simple, this approach is better. However, you must know that even if you have a simple situation, there are many permutations that could go wrong. These mistakes would end up costing your children a lot more than you saved in potential fees.

You can easily get an estate plan which is cost-efficient. Important estate-planning documents which wouldn't cost too much, but are still important to keep updated with changes in legislation (e.g. when the abatement amount of Estate Duty fees is increased), are further discussed here, providing a short summary of each.

IS YOUR POWER OF ATTORNEY POWERLESS?

A power of attorney (POA) is a supporting document to your Will or trust. Do you have one? If so, have you read it? It's a particularly critical document if you should ever become incapacitated and unable to manage your affairs. We urge you to pay attention to it now and make sure it spells out your wishes fully and accurately.

In the document, you appoint an agent to make decisions about your financial affairs. Many attorneys include language restricting the amount of money that can be "gifted" from your accounts.

Though inserted for your protection, the POA language can cause you to lose assets you might need if a long-term disability occurs that requires skilled nursing care, assets that could be protected if the POA were drafted differently.

Example: After Martin suffered a severe stroke, he was moved to a long-term-care facility. His

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wife, Irene, had power of attorney and was also the beneficiary of his R3,000,000 retirement annuity. Because his POA document included language limiting the "gifting" amount, Irene was only able to access R50,000 from Martin's account, which was barely enough to pay for his first two months at the nursing home. Is this really what Martin wanted? To avoid situations like that, it is important to work with an advisor who understands those issues and can make sure there is true power in your power of attorney.

INTER-VIVOS TRUSTS

Inter Vivos Trust is often used as an alternative to a Will. It circumvents the need for an extensive estate and enables you to maintain control of your assets while you're living, and to specifically direct your successor, or "trustee," with regard to the distribution of your assets after your incapacity and/or death.

An Inter Vivos Trust does have its limitations. It doesn't help you reduce your taxes or increase your retirement income, for example. It doesn't protect you from the expenses associated with long-term care. In my experience, by simply creating an Inter Vivos Trust and ignoring the rest, chances are your estate won't be large enough to even warrant a trust at death.

Still, it's not that hard to establish a good trust these days. The real value comes when it's time to settle the trust. When someone passes away, where do the heirs usually go to have the estate settled? Back to the attorney or advisor who drafted the Will and/or trust.

The attorney is typically best suited for dealing with the legal aspects of settling the trust, but what about the tax and financial issues?

A financial advisor who specialises in retirement planning can help you set up your trust with an eye toward your exit strategy.

TAX-FFFICIENT DISTRIBUTION

Once you have decided who will inherit the assets that remain upon your death, it's important to make sure that they will be distributed in the most tax-efficient manner.

Some accounts can be structured to "stretch" the money that remains at your death over the lifetimes of your children and grandchildren. Rather than inheriting all of the money at once—and paying tax on it—your heirs can receive a portion of it each year (in the form of a required minimum distribution), as long as they live. Taxes are significantly reduced since the taxable amount is limited to the annual distributions. Moreover, the money that remains in the account continues to grow, tax-deferred.

Another major consideration is which assets should be left to charity. That's an important part of leaving a legacy, but many times people end up leaving the wrong type or the wrong assets to charity, and that just creates an additional tax burden on whatever is left to their family, usually the children or grandchildren.

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CHARITABLE CONSIDERATIONS

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

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

FSTATF-TAX FXFMPTION

It's important to be sure that you're making the most of estate tax exemptions. What most people also miss is that many times upon death, when the spouse directly inherits the retirement account, it cannot be used to fund the estate-tax exemption. What often happens as a result is that the deceased's estate-tax exemption is lost. Even though the tax exemption can be carried over to the surviving spouse, the possible growth of the exemption is not, and therefore money can be wasted. i.e. If R3,500,000 were bequeathed to a Trust at death (and hence escape estate duty) The R3,500,000 may grow to R10,000,000 over time, which would save duty on R6,5000,000 if the assets were merely donated to the spouse under sec 4q of the Act.

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

WILLS VERSUS TRUSTS

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

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

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

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

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

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

ENVISIONING A LEGACY

We find that people often are hesitant to address their estate planning issues because they're still concerned about their own financial security. Until they can feel comfortable about that, it's hard to do more.

Once they have addressed those issues, once they have created a plan for financial security, and have an income strategy that reassures them that they're going to be okay, they can envision what they want to leave behind as a legacy, and what that would look like. That's when estate planning can truly begin. As people reach their retirement age and beyond, their thoughts often turn to whom and what matters most to them. When they discover that they have the financial capacity to do more than take care of themselves, they gain a sense of freedom that allows them to finally consider how they will make their mark on the world.

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FXPI ORING TRUSTS

"A fool and his money are soon parted."

- Thomas Tusser

A Trust is one of the most powerful tools available in Financial Planning IF it is applied according to Law and in conjunction with Court orders. Be absolutely aware of the fact that you have to work with people who really do understand the mechanics of a Trust should you consider a Trust as part of your Financial Planning. Limited knowledge about Trust legislation and administration will have you in trouble at some stage in your life.

WHAT IS A TRUST?

A Trust is an agreement between the Founder of the Trust and the Trustees in terms of how the Trustees will manage the assets of the Trust to the benefit of the Beneficiaries of the Trust.

This agreement is called the Trust Deed and in this document all aspects regarding the assets and the management thereof are described according to legislation. The rights, duties and powers of the parties involved in a trust are found in the definitions, terms and conditions as set out in the trust deed.

Trust names are not regulated to the extent that names of companies or close corporations are regulated. You therefore can in effect have more than one trust with the same name. The differentiation is found in the unique IT number issued by the master to each trust at registration.

- FOUNDER

The Founder of the Trust is the person who establishes and recognises the need of such a Trust and then executes the creation of the Trust Deed. In other words, without a Founder there is NO trust!

The Founder's actions are very important and all steps must be taken to ensure that the Founder's actions are legal and that they are actually carried out in practice through the administration of the trust.

There can be more than one founder to a trust. Most common to this is where the spouses in a marriage decide to create a trust for estate planning purposes.

Once the trust is formed, the role of the founder as such is very limited in that the founder does not control or manage the trust assets in his capacity as founder. However, the founder is extremely important when it comes to the amendment of the deed of an inter vivos trust.

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- TRUSTEE/S

The trustee of the trust is the person who owns, manages and administers the assets according to the deed on behalf of, and to the best benefit, of the beneficiaries. It is very important that the appointed trustee must accept the appointment and be authorised by the Master to act as a trustee. The authorisation by the Master is in the form of a written letter of authority with the stamp of the Master on the document. By being appointed as a trustee, by acceptance and authorised by the Master to act, a person assumes all the duties and obligations attaching to the office of trustee, and is obliged to take an active part in the affairs of the trust.

The trustee owns the trust assets however this ownership is non-beneficial to the trustee as such. Every trustee must be committed to good governance principles and must act with due care, diligence and utmost good faith in respect of trust matters.

- REPLACEMENT TRUSTEES

It is vitally important to ensure that the right people are running your trust in the future. Therefore provision in the trust deed for replacement trustees must be made. These trustees will then take over from the trustees originally nominated in the trust deed, upon the event of their death, resignation or sequestration.

By nominating replacement trustees you will know who will replace you as trustee after your death!

BENEFICIARY

The essence of a trust is that it is formed to benefit some people or some object (such as a charity).

Without a beneficiary or object the trust is a nullity!

- The beneficiary on a trust is the person who will reap the fruits of the trust assets.
- · There is no restriction on the number of beneficiaries on a trust.
- Any natural person can be a beneficiary and any artificial person (such as a company, closed corporation or other trust) can also be a beneficiary.
- Unborn persons can be specified as beneficiaries.
- Minors can be beneficiaries and one of the main advantages of a trust is in fact that it
 protects the interest of minors in the event of the death of the parents or guardian and
 ensures that benefits due to a minor are not placed under control of the Guardians Fund.
- It is important to understand that a trust is a contract to the benefit of a third party. The
 beneficiaries therefore only obtain rights when and if they accept the benefits of the contract. When they accept these benefits they become part of the contract. These rights are
 however still subject to the terms and conditions of the trust deed.

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ALTERNATIVE RENEFICIARIES

If the trust runs out of beneficiaries the trust assets revert back to the founder and failing the founder to the state! ALWAYS ensure that replacement/alternative beneficiaries are listed in the trust deed.

- INDEPENDENCE OF TRUSTEES

It is important to understand that the Founder of the trust can be a trustee as well as a beneficiary of the trust. In this instance it is vitally important that an INDEPENDENT TRUSTEE is also appointed on the board of trustees. No one person should dominate meetings or decisions of trustees or exercise too much personal influence over the affairs of the trust. The biggest mistake to make is to manage the trust assets as an alter ego of oneself. This is a recipe for failure of the trust. In appointing an independent trustee, ensure that it is a person but preferably a firm or company who is knowledgeable about trusts, trust law, trust administration and the taxation of trusts.

DIFFERENT TYPES OF TRUSTS

TESTAMENTARY TRUSTS

This trust is created and formed through the Will of the person after the death of the Testator. The benefits of this type of trust are limited and good thought is necessary before deciding on this option.

VESTED TRUSTS

This type of trust is used for conducting business.

- SPECIAL TRUSTS

This trust is used for specific needs such as a disabled person or charity. The deed is very specific to the circumstances and needs of the disabled person or object.

OFFSHORE TRUSTS

These trusts are formed outside of the Republic of South Africa. They are costly to administer and tax benefits could be jeopardised if not structured correctly. Professional advice should be obtained to assist one in the creation of an offshore trust.

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DISCRETIONARY TRUST

This type of trust is in most instances the most suitable mechanism for estate planning, asset protection and for leaving a tangible legacy. Discretionary trusts are also called intervivos trusts and offer the best asset protection, tax efficiencies, and succession planning and estate duty benefits.

SHAM TRUST

In a number of court cases and SARS rulings, certain criteria and actions by persons acting on behalf of trusts have resulted in those trusts being considered sham trusts. The main concern is the exercise of too much control by an individual party to the trust, which results in a grey area of distinguishing between control and use. Such lack of independence often results in the trust being considered a sham and the corporate veil of separation being pierced. If the trust is not properly administered with relevant minutes and resolutions filed, the trust could be nullified.

A trust MUST have a bank account according to the Trust Property Control Act. Without a bank account, the trust will be deemed a sham!

"The first time you marry for love, the second for money, and the third for companionship."

- Jackie Kennedy

WHY A TRUST?

There are a number of benefits in using a trust as part of your Financial Planning:

ASSET PROTECTION

Every economic active person is exposed to risks. These potential risks might put your assets at stake. Some potential risks are the vagaries of business, financial damages and losses, sureties, claims and even cash flow! The first and most important benefit and reason for a trust is the protection of assets. This protects the assets against risk from all potential claims and creditors of the individual. Assets in trust do not form part of the individual's estate.

BUSINESS CREDITORS

Irrespective of the type of business being a Sole Proprietorship or Partnership all the creditors of the business are the creditors of the individuals conducting that business (YOU). These business creditors can attach all your personal assets to satisfy any claims due to them.

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In many instances claims may arise by default or due to no fault or cause of the individual, such as the death, sequestration, or default by the individual's business partner, or a claim by an employee against the business, or SARS for taxes due which your accountants failed to reflect, or an employee causing damages or losses and as a result a claim emanates which becomes the responsibility of the business.

If you own no assets in your personal capacity, you cannot lose any as a result of the above risks.

- SEPARATION OF CONTROL FROM BENEFIT

To be effective, a trust must separate management, ownership and control from beneficiaries. Beneficiaries can enjoy the benefits of trust assets without having to worry about investment decisions or administration issues.

A trust can therefore be used in order to ensure that trust assets are managed and controlled by knowledgeable, skillful and responsible people who act in the best interests of the beneficiaries.

ESTATE PLANNING AND INHERITANCE (SO CALLED ESTATE FREEZING)

A trust can effectively result in the freezing or value-pegging of an estate and this can result in tremendous estate duty and costs savings. Estate duty saving is one of the great advantages of a trust, and many trusts are used as part of Financial planning, especially estate planning. Beneficiaries of a trust can die, but the trust can continue after the death of any beneficiary for generations to come.

- PROTECTION OF HEIRS

A trust can be utilised very effectively for inheritance purposes so that an heir does not inherit directly, but via the trust. This means that the heir has all the benefits of the assets that are held in trust without any of the disadvantages of ownership. The trust assets are also protected against the heirs' creditors.

- LEAVING A LEGACY

Trusts provide the opportunity to leave a real legacy for each generation. The estate costs and estate duty on an individual's estate can be devastated in terms of assets lost through this costs and taxes.

Once the assets are in trust the growth of the assets are in trust as well and therefore each generation can enjoy a bigger fruit from the trust assets.

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POTENTIAL PROBLEMS AND DISADVANTAGES OF TRUSTS

Trusts are very useful instruments in Financial Planning, but often the problems associated with trusts are ignored through ignorance. What is often forgotten is that when a trust has been formed, there are certain legal consequences. Trustees have specific obligations and beneficiaries have certain rights. These consequences are ignored at the peril of the founder, or for that matter, the trustees.

For many founders of trusts the giving up of control of trust assets is neither intended nor desired, and this can cause the existence of the trust to be questioned. The continued control of trust assets can also have severe estate duty disadvantages for those persons seeking to retain control over assets.

Therefore whilst a trust can be extremely useful in the financial planning process, the focus should not only be on the benefits and advantages of trusts. The potential problems and disadvantages associated with trust formation and administration should always be kept in mind.

IGNORANCE REGARDING TRUST MATTERS

Many people do not really know and understand what a trust is about and nor do they realise that there are certain legal consequences firstly to the formation of the trust and secondly to the administration of the trust affairs.

One of the most significant occurrences in this regard is the fact that people often do not appreciate that the control of trust assets must be in the hands of independent trustees.

SOME OTHER ENTITY IS INTENDED OR WOULD BE MORE APPROPRIATE

Sometimes a trust is formed when a company would have been more appropriate. Always ensure that you discuss your business plans with a knowledgeable financial planner in order to establish the correct structure for the specific business venture.

- "OFF-THE-SHELF" TRUST DEEDS

Often standard clauses are used in trust deeds without further thought. The terms of a generic or "off-the-shelf" trust deed may not adequately take into consideration the circumstances or intentions of the founder or the personal circumstances and interests of the person to benefit from the trust assets. This type of trust deed could therefore empower trustees in a manner neither desired nor contemplated by the founder of the trust.

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The trust deed is the constitutive charter of the specific trust and the failure to adequately document the purpose of and intention behind a trust can result in trust assets and income being dealt with in a manner totally contrary to what the founder actually had in mind.

THE FOUNDER'S OWN NEEDS MIGHT BE NEGLECTED

The founder may put his assets into the trust as part of an estate-planning exercise. This could be very effective from the saving estate duty and costs angle, but it may very well result in the founder being short of income and capital. Beneficiaries easily tend to "forget" that the assets were in fact previously those of the founder.

- SOCIAL AND FAMILY PROBLEMS

Beneficiaries who become aware that they have interests in a trust that has significant assets may start relying on trust benefits and then fail to pursue their own careers and development or business interests. This situation might lead to highly undesirable family consequences.

- ONEROUS TRUSTEES' DUTIES

Trustees' duties are very onerous. Both the Trust Property Control Act as well as the common law imposes several duties on trustees. These arise because a trustee occupies a position of trust. One of the most common problems faced even by a well-meaning trustee is that he may be completely unaware of all the duties of trustees, and may therefore easily act in a manner contrary to what is expected of that person as trustee.

If a trustee fails to perform any duty, it is possible that the trustee can be held personally liable to make good any losses that result from a failure to perform the duty of trustee.

PERSONAL LIABILITY OF TRUSTEES

A trustee who fails to exercise care and diligence is not exempt by the trust deed from liability. This means that trustees are potentially jointly and severally liable for acting carelessly or without proper skill in respect of the trust administration.

- LIABILITY FOR ACTS OF CO-TRUSTEES

A trustee could be jointly and severally liable for civil wrongs committed by other trustees in the performance of trust duties. There is no defence for a trustee to argue that he did not take an active part in the affairs of the trust. Attempting to resign will also not stand in court as defence. A trustee must at least perform a watchdog role especially when one trustee is a managing trustee. There is no place in South African law for a sleeping or puppet trustee.

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TRUSTEE TO FURNISH SECURITY

The Master has every legal right to demand security from a trustee, which means that a trustee would have to put forward his own assets as security to cover any losses caused as a result of that trustee's actions or inactions. When the trustees apply for a bond on behalf of the trust, the financial institution providing the capital may also demand security from each trustee.

NEGLIGENCE IN TERMS OF TRUST ADMINISTRATION

The administration of trust assets must be done properly and records must be carefully and accurately maintained. A problem can arise if meetings do not take place and no real decision-making occurs. Beneficiaries are entitled to have full access to trust records and accounts at any time.

PERCEIVED TRUST DISADVANTAGES

There is an unfortunate perception amongst the general public making them think that there are limited instances where and individual would qualify to establish a trust. This thinking is skewed and it is necessary to dispel and banish these myths. One of the most popular myths regarding trusts is that it is only needed by the wealthy. Once you have a proper look into your own situation you might be surprised at what benefits you can reap through the use of a trust, even though you might not be "wealthy"

Higher Transfer Duty rates are another popular myth. There are currently no differences in Transfer Duty rates amongst different legal entities and natural persons. Set up costs. If you do your homework you will find skillful people who will do the job well without asking an arm and a leg. Perceived high tax rates on trusts. You might again be pleasantly surprised to learn from your own situation what tax benefits you might enjoy through the utilisation of a trust as part of your financial planning.

TAXATION OF TRUSTS

In terms of the Income Tax Act a trust is a person. Trusts do not qualify for the interest exemption as do individuals. A trust is not entitled to any of the personal rebates that are available to individual tax payers. For the purpose of this section the taxation on "normal" trusts will be discussed. All other type of trusts have specific clauses related to them and it is not the purpose to get involved in all that technical detail.

INCOME TAX

Income Tax is a tax levied on all natural persons, closed corporations, companies and trusts or entities whether incorporated or not who earn or accrue income as defined in the Income Tax Act.

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Trusts are taxed at a flat rate of 41 percent from the first rand of taxable income. The utilisation of the conduit principle may have an influence on this and will be discussed below.

- CAPITAL GAINS TAX

Capital Gains tax comes into effect upon the occurrence of a disposition or deemed disposition. The capital gain is calculated by deducting the base cost of the assets from the market or selling value. The inclusion rate for CGT purposes on trusts is 66 percent of the capital gain, which is added to the income of the trust, the taxable income of the trust is then taxed at 41 percent. The maximum tax rate a trust is subject to on CGT is effectively 27,3 percent, unless the conduit principle is utilised.

DONATIONS TAX

Donations tax is a tax which is levied on any individual or juristic person or trust which makes a donation. This tax is to a degree an anti-avoidance measure in that it combats the dissipation of an individual's estate.

The donations tax rate is 20 percent on the value of any amount donated in excess of the gazetted amounts. There are various other exemptions which will not attract the donations tax, the most important in this instance is the exemption afforded to trusts, wherein any distribution made in pursuance of a trust to be a beneficiary will be exempt from donations tax. Income Tax or CGT could still apply to the distribution.

- CONDUIT PRINCIPLE: INCOME

Section 25 of the Income Tax Act stipulates that where taxable income vests in a beneficiary, the tax will be payable in the hands of the beneficiary at the beneficiary's marginal tax rate. The trustees normally exercise their discretion in this regard unless it is a vested trust. The principle is in essence, that the income maintains its nature and does not change, irrespective of the fact that it has flowed through the trust or to a beneficiary. Taxable income which does not flow to the beneficiary will be taxed in the trust at a rate of 41 percent. It is important to vest the income for the benefit of the beneficiary timeously in the relevant tax year. Failure to do so could result in SARS disallowing the tax benefit.

- CONDUIT PRINCIPLE: CAPITAL GAINS

CGT at an effective rate of 27,3 percent is payable on a capital gain at the time of disposal of a trust asset. However, once again in terms of the conduit principle such gain can be distributed to a beneficiary and taxable in his hands at the lesser tax rate. The current rate on individuals is 13,7 percent. It is crucial that the trust deed is correctly structured to achieve the above benefits.

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- ANTI-AVOIDANCE PROVISIONS

In as much as the conduit principle is advisable, SARS does not allow for an abuse of the system. There are anti-avoidance provisions in the Income Tax Act as well as through SARS rulings in this regard. This often results in the tax being paid into the hands of a person other than the trust or the beneficiary. A correctly structured trust and properly attended flows of income and cash will not breach any of these provisions.

There is a complex series of rules which will determine who pays the tax and this is directly related to persons who loan money to the trust which results in the income being earned. Ensure that your trust structure is set up correctly in order to maximise all benefits and freely distribute to the beneficiaries of choice and also achieve tax efficiencies.

TRANSFER DUTY

Transfer duty is a property tax, which is levied when property is transferred from one party to another.

The transfer duty act exempts certain transfers of property from this property tax. Get specialist advice in this regard as if the correct procedures are not followed extra duties and penalties might be incurred.

TRANSFER OF ASSETS INTO TRUST

MOVEABLE ASSETS

It is important to move your assets into the trust once the trust has been established. Two important factors at this stage of transferring assets are the donations tax and the insolvency time periods that need to be overcome.

Tax efficiency is important and paying 20 percent donations tax is quite an amount. The mechanism that should be employed is to list all assets and determine the value. The values to be utilised are market values, in order to avoid deemed donations by SARS. The actual transfer of moveable assets to the trust is by means of a donation or by way of sale or a combination of both, depending on the value of the assets.

INSOLVENCY TIME PERIODS

Our law of insolvency is governed by the Insolvency Act. Be aware of the ramifications of the Insolvency Act and how to successfully avoid the potential pitfalls.

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The Insolvency Act affords protection to creditors in a range of scenarios. You won't want to act delinquently, however it is important to act swiftly so as not to fall within the ambit of this Act. The Act stipulates that in the event of a person or entity moving an asset to another entity and that person is solvent at the time of the transaction, a period of six months must elapse, before the asset is secured from the creditors of the seller or donor and such assets which have been transferred. The protection is afforded to protect creditors where a debtor attempts to divest themselves of their assets.

The Act affords an even lengthier time period to protect creditors where a person or entity transfers assets and they happen to be insolvent at the time of disposal. The period in this instance will be two years. This provision ensures that insolvents will not be able to oppose creditors from their just dues.

It is therefore important to all persons and business owners to move all of their assets to their trust immediately, in order for these time periods to elapse and have no effect.

DONATIONS

The transfer of assets to the trust through donations is based on the market value of the assets. Let us assume that the market value of the assets is R167 000. You can thus donate R100 000 worth of assets to the trust through a deed of donation. The IT 144 declaration form needs to be lodged with SARS to notify SARS of the donation.

Any donation in excess of R100 000 per person per annum, other than exempt donations, will attract donations tax at a rate of 20 percent.

The remaining R67 000 in the example will be handled through the mechanism of the Loan Account. Both Spouses can donate R100 000 each year to the trust. If the donation is in the form of cash, the money needs to be physically paid into the trust bank account. If the donation is only done on paper, CGT will be triggered on the full amount.

- LOAN ACCOUNT

The primary goal is to ensure that all the assets are protected as soon as possible in order to ensure that the insolvency time periods and donations taxes are not applicable to the individual's financial planning.

It is advisable that the assets in excess of the allowable donations exemptions be sold to the respective trust.

The sale will be done by way of a properly drawn up agreement of sale between the individual and the trust, setting out the assets sold and the values of same. It is important that an assets register be compiled to specifically identify the assets.

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At the point in time when the sale agreement is closed, the trust up to that point had no assets or cash flow. How will it be possible for the trust to pay for the assets? In order to correctly reflect and justify this, a loan account is created in favour of the individual against the trust in lieu of the repayment of the consideration due.

The loan account remains an asset in the individual's personal estate. It is very important to reduce the value of this loan account to nil as soon as possible.

To reduce the loan account in the most efficient way you need to appoint a knowledgeable accountant.

"Time is money."

- Benjamin Franklin

MOVING REGISTERED ASSETS TO TRUST

- VEHICLES

The vehicle must be sold to the trust at market value. As part of the transaction the vehicle must be registered in the name of the trust. New vehicles can be bought outright in the trust and registered as such.

- LINIT TRUSTS AND SHARES

Listed shares need to be valued over a weighted three day period to determine the market value. These shares can be sold on loan account as a normal moveable asset. There might be Income tax or CGT implications on this type of transaction.

Unit Trusts would also be valued and moved at market value. Be aware that in some instances there might be penalties and taxes involved.

Ensure what the penalties/taxes implications will be before finalising the transaction thereby avoiding unnecessary losses.

- LIFE POLICIES

Life insurance policies can be owned by the trust. All proceeds on a life policy in trust is protected against creditors.

To enjoy full tax benefits on your life policy premiums, the trust must be the owner as well as the payer of the premiums. This will result in the premiums + 6 percent compound interest per

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annum deduction from the proceeds. The remaining life cover will then be deemed an asset in the insured life's estate.

- ENDOWMENTS

The value of an endowment is calculated according to a varying actuarial formula. It can be valued at zero and be transferred to the trust at no cost. Distinguish between monthly contribution endowments and lump sum endowments.

- RETIREMENT ANNUITIES

This type of investment is personal and falls under the Pension Funds Act. This type of investment can't be owned by a trust.

- PENSIONS AND PROVIDENT FUNDS

These investments are also personal to the individual and are not allowed to be owned by a trust. Should the relevant scheme provide that a trust can be appointed as beneficiary, it must be considered. It is however prudent to obtain the rules of the fund beforehand.

THE IDEAL TRUST STRUCTURE

- It is important to realise and understand that just one trust as part of financial planning in most instances will be inadequate.
- Putting all assets and liabilities just in one trust will be of no value and you may as well keep everything as is in your own name.
- In order to be able to utilise a proper planning mechanism more than one trust will have to be formed and utilised.
- The individual trusts will then each be utilised in a more specific capacity.

FAMILY TRUST

Often people refer to this trust as the main or primary trust. This is not true as each trust is an entity on its own and must be administered and managed as such. The role of the Family trust can be to own all the moveable assets of the family like the primary residence, household contents, vehicles, some cash investments and the life policies where applicable.

It is important to have only the lump sum benefits in terms of life policy benefits on the policy owned by the trust. Typical benefits in this category will be life cover, capital disability benefit and severe illness benefits.

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Income Continuity benefits must NOT be on the trust owned policy but in the insured's own name. If the Income benefits form part of the trust owned policy, income tax will have to be paid on the proceeds once in claim.

In some instances the Family trust can also own the primary residence of the family. This is advisable in instances where the property is paid in full and no liability is incurred on the property.

PROPERTY TRUST

If you have the affinity to invest amongst others in property, the investment properties will be owned by a separate property trust. Residential properties in this category must be owned by the trust as this is in most instances a long-term investment with steady capital growth.

Avoid having your commercial property directly in trust. There are better tax advantages to having your commercial property in a company and the shares of the company in the property trust. Administer all related income and expenses in relation to the properties held by this trust in the trust.

SHARF TRUST

If you are involved in business by being a shareholder in a company, the shares of the company must be owned by the share trust. The shares of the company must be the only asset in this trust. You can have more than one company's shares in the same trust, but proper planning and consideration is needed before hand.

OTHER USES

There are numerous other reasons to have trusts in place. The more complex and more involved in different enterprises the more trusts might be needed.

Proper planning and analysis is of the essence before you start out registering trusts and companies.

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

- PJ O'Rourke

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SECRET 5

MAKE OF THY DWELLING A PROFITABLE INVESTMENT

TRANSFORMING DEBT INTO WEALTH

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

- Anon

I have been part of many debates on whether to rent or buy a property is better, and I suppose depending on your individual circumstances your answer could differ from mine. If I however have a look at the richest people worldwide, more than half of them owe their riches to a substantial property portfolio. I know of few people that have built substantial riches and still rent a property!

For most South Africans, buying their own property would in most instances be the biggest purchase they make in their lifetime. Then considering a note that I picked up in a book written by Robert Kiyosaki, Rich Dad Poor Dad, his opinion is that your personal property will never be an asset. Bugger! What now?

Many experts and I agree with his notion, that an asset is something that generates income, and a liability is something that will cost you money. If you look at your house, firstly most of us will have debt associated with our primary property. In addition we will have to pay property taxes, rates and levies for as long as we live in our house. What we should consider is the substantial opportunity that owning a property could give you.

A property is one of the few asset classes that you could buy, with OPM (Other People's Money). This means that you could apply one of the wonders of the world namely to leverage your accumulation of assets. We have to however do it on our terms and not the banks', which in all instances only have their shareholders stake at heart. A large part of this chapter is dedicated to helping you get rid of debt sooner rather than later. Whilst debt can be a good thing, allowing you to leverage, it is only good on your terms, i.e. you cannot repay debt on the banks terms. Not only do we want to help you repay debt quicker, we want you to use the leverage from this to build your wealth exponentially.

So hear us out.

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

Currently South Africans spend more than seventy percent of their disposable income to repay debt. Most people will pay in excess of a R1000 000 towards interest in repaying debt. A meagre home loan of R500 000 paid over a twenty year period will attract interest in the region of a million bucks.

THE FIRST STEP

As the good witch told Dorothy, when starting her on the Yellow Brick Road to Oz, "It's always best to start at the beginning."

The object of this chapter is firstly to help you get out of debt, and then use your surplus monthly payments to start that journey to building your wealth platform to get to Financial Independence as soon as you can.

Getting rid of debt will give most people the opportunity to start over. Literally an opportunity to rebuild your life to live that elusive dream life, which most people just "dream" of and never truly realise. If you look around you, how many of your friends and family can claim that they are living their dream? In most instances it is some of what we have dealt with earlier in the book (their Money Psychology) that dictates their happiness, or rather unhappiness. That concept of "money won't buy me happiness" might be true, I have however not met many "poor" people who are ecstatically happy.

As much as this chapter is dedicated to help you get out of debt and transform your wealth status, nothing will change if you don't start with your mindset towards being in debt versus being debt free. Most people will never even have this internal debate about getting out of debt as they would argue that it is impossible. We will show you how this is not just possible, but there is an exact plan that thousands of people before you have used to do just that.

MAKE A COMMITMENT

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

WHERE DID YOU LEARN ABOUT MONEY?

Think about it for a moment, where did you learn about your money management skills?

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Our current predicament is not just our own fault, sometimes our teachers were not equipped themselves to teach us the basic fundamentals of managing our finances. I definitely did not learn about managing my money from my parents, at school or university (even though I mastered in economics and investments). In most instances we are not taught the basics of:

- Investments
- Planning our finances
- Budgeting
- Managing our debt
- Retirement planning

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

YOU ARE A MILLIONAIRE

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

Scary stuff if you realize that if you earn R50,000 per month, your earnings would exceed R12,000,000 if you still have twenty years left to work.

The question is simple, how much of this will you keep for yourself and invest wisely?

If you had to keep going down the road that you are currently on, what would your financial destination look like? Are you on the road to financial wellness and independence or are you on the road that is well travelled by most people you will know, that is the road to financial destitution?

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

WHY GFT OUT OF DFBT?

Maybe you are not convinced yet to get out of debt? Or you have questions such as: "Surely you can't expect me not to have any home loan debt? Considering that you cannot purchase your home cash!" I agree that for most people it is impossible to purchase a home without incurring debt. So whilst we may agree on that, the next questions should be up for consideration. "Who determined that a home loan should be paid off over twenty years or even worse thirty years?" We will cover some ways to restructure your current debt position and repay it in hopefully within the next seven to ten years. Thus saving significant amounts of money that you will be able to leverage towards your investments.

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FIRSTLY LET'S GIVE YOU AN IDEA OF THE COST OF DEBT.

If you buy a home of R1,500,000 and you borrow R1,200,000 to finance your home (considering a 20 percent deposit) and you repay at the current prime lending rate of 9.25 percent you would pay a total of R2,220,000 over a twenty year period. For the privilege of borrowing money from a bank you will have to pay interest of R1,020,000 more than 85 percent increase on the original capital value.

Here is a question that most people never consider. If I show the figures in the above example, is the interest the total cost on your debt repayment? The answer is unfortunately, "No!" Consider the following, "Do you pay your home loan with pre- or post-tax money?" You obviously know the answer! "After Tax Money". In this instance you have to work hard enough to earn money, pay tax on it and then only pay your home loan.

In addition you have what is called an opportunity cost on your money.

If you had the ability to invest "Your" MONEY of R 1,020,000 in an Investment vehicle at a return rate of 8 percent you would acquire R 2,202,000.00 over a period of ten years.

This is the true cost of your decision to borrow money to pay off debt.

"The borrower is slave to the lender "

- Proverbs 22:7

We have been conditioned to satisfy our immediate need by virtue of using credit cards, overdrafts, personal loans, store accounts and other forms of credit before we really qualify for these items we so readily buy on a whim. I recently considered the following truth. By utilizing credit, or debt, we are exchanging our future income (repayments over a period of time) for immediate satisfaction. Consider this, buying a TV and financing it over three years, you are exchanging the satisfaction of more pixels, a bigger or a curved screen for a portion of your salary for the next 36 months. Buying a new car over five years, you are exchanging the right to this new vehicle for a chunk of your salary over the next sixty months.

A NEW PATH TO INDEPENDENCE

The American philosopher Earl Nightingale once said, "You are who you are and where you are because of what you have put in your mind."

By changing the way you think about your finances and money management habits you can start changing your life.

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THE PLAN

You need a workable, new plan. The Plan is simply called "The Snowball Effect". Start small, like a flake of snow. And then another, and another, and before you know it will turn into a serious snowball rolling down a steep hill.

Practically this is how it would work in seven simple steps.

- Prioritise your debts (using the formula you'll be given here).
- Make the minimum required monthly payments on all debts except the highest priority debt.
- Add the Snowball Margin to the normal payment on the highest priority debt.
- Continue this payment each month until that debt has been repaid.
- · Once paid off, start with the next highest priority debt.
- Now you use the Snowball Margin PLUS the previous debt's monthly repayment. ADD the two together to the next monthly repayment amount.
- Continue this until the debt has been repaid.
- REPEAT to repay all debt.

The average South African will be able to repay ALL their debt in a period of five to seven years.

Imagine that! Repaying your debt in the next five to seven years!

CAI CUI ATING YOUR PLAN AND TERM

To determine your personal plan you need to follow the following simple steps.

STEP 1

Get ALL the information on your outstanding debts together, write down each debts' name (1), total balance (2), and monthly minimum repayment (3). If you have been paying more on your home loan STOP doing that. Use every extra cent you can spare to your Snowball Margin.

- STFP 2

When you have all of this written down, divide the Total Balance (2) amounts by their respective Monthly Payments (3) and write the answer in column 4. For example: Let's say you had a credit card with a R5,000 balance and a minimum monthly payment of R390. You would divide R5000 by R390 and get an answer of 13. Don't worry about the answer as it doesn't mean anything by itself. It will help you determine the optimal repayment sequence of your debt.

Do this for every debt that you have.

- STFP 3

Once you have done this exercise for all debts you would have determined the sequence of priority debt (5). The debt with the lowest answer you mark it number 1 priority. And so on.

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- STFP 4

Determine your Snowball Margin. It is any money that you could save with a proper budget. Try to save at least 10 percent of your monthly net-income.

- STEP 5

Add your Snowball Margin in Step 4 to your priority debt number 1. Assume your Snowball Margin is R1,000 and your credit card was the first priority. You would add R1,000 to the R390 monthly payment and your NEW Accelerated Monthly Payment amount would be R1,390 (6) repaying your debt in four months. R5,000 divided by R1,390. This becomes the new period in months to pay back debt (7).

- STEP 6

Add the total repayment amount to the next highest priority debt. Total monthly payment PLUS Snowball Margin becomes the new accelerated premium.

STFP 7

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

DEBT	BALANCE	INSTALMENT	TERM	PRIORITY	ACCELERATED INSTALMENT	REMAINING TERM
1	2	3	4	5	6	7
Home Loan						
Credit Card (1)						
Credit Card (2)						
Clothing Accounts						
Personal Loan						
Car (1)						
Car (2)						
TOTAL						

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CREATING YOUR SNOWBALL MARGIN

Getting to the point where you have calculated your debt and how to eliminate it will put you in a very elite group of people. Well Done! You might still have a few concerns, such as, "How in the world do you expect me to save enough money to put a Snowball Margin together? Watch and learn.

Some basic steps to start putting your elimination plan to work and getting a Snowball margin starts with something as simple as just revisiting your budget and looking for spending that could be postponed or eliminated altogether. The minute you start focussing on getting rid of debt in your life you will become quite sophisticated in finding ways to stop spending.

Any money that can be labelled non-essential spending i.e. on luxuries could be used to fund your Snowball Margin.

Before you bail out, this does not mean you will have to stop all you're spending on any luxury items that you wanted. It is just a temporary curb on these short term luxuries that have no long term positive impact.

Once you have managed to repay all your debt you will have significant cash flow left to buy these goods cash.

Your aim should be to get an amount equal to 10 percent of your income to use as your Snow-ball Margin. However don't let anything stop you. Any amount will do.

In the chapter about how to generate extra income any of those amounts could be used to fund you margin amount.

CONSIDER THE OPPORTUNITIES TO REDUCE YOUR MONTHLY EXPENSES:

List all your current monthly expenses in the Current column below. In the Reduced column write in the lowest amount you can reasonably spend on each expense item. Total up all reduced amounts at the bottom of the column.

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DEBT	BALANCE	INSTALMENT	TERM	PRIOR- ITY	ACCELERATED INSTALMENT	REMAIN- ING TERM
1	2	3	4	5	6	7
Home Loan	R 1,000,000	R 7,332	136	7	R 21,113	47
Credit Card (1)	R 17,000	R 340	50	4	R 12,806	2
Credit Card (2)	R 32,870	R 657	50	5	R 13,463	3
Clothing Accounts	R 11,220	R 336	33	3	R 12,466	1
Personal Loan	R 25,530	R 316	80	6	R 13,780	2
Car (1)	R 123,500	R 6,719	18	2	R 12,129	10
Car (2)	R 72,500	R 4,910	14	1	R 5,410	13
TOTAL	R 1,282,620	R 20,613				78

Some of the wealth destroyers that we are up against are all things that are within our control even though we might not think so.

IMPULSE BUYING

Earlier in the book I made a reference to one of our advisors that admitted to doing some "grudge" emotional purchasing just to feel better when she was in a bad relationship. We are all exposed to some form or another of "impulse buying" to sooth our nerves. The good news is that the minute you start with a focussed approach toward reducing and eliminating debt from your life you be able to identify these bad spending habits. Just make a decision as to what is more important, short term satisfaction or long term independence and satisfaction?

MONTHLY GROCERY PURCHASES

You and I are exposed to literally thousands of marketing messages daily and most of these are aimed at luring us into the impulse buying mentioned above. Nowhere is this more prevalent than when you enter a Pick 'n Pay or a Checkers for your monthly groceries. From when you enter the premises you will be exposed to marketing impulses that have been well researched to make you buy not just more, but more of the stuff that you don't need.

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How do you change the status quo in your favour?

- · Make a list (and follow your list);
- If you get discounts, use them;
- Shop at a store with a "loyalty card";
- Shop at a warehouse for bulk buy opportunities;
- Utilise your Wellness Cards and the discounts you can get on "Healthy Foods".

SPECIAL S

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

- Summer sales
- Winter sales
- End of season sales
- End of range sales

START SPENDING CASH

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

CONSIDER THE IMPACT OF THE "CAPPUCCINO FACTOR"

David Bach wrote seven New York Times bestseller books, all on ways to manage and handle your money better. In one of his books, a must read, The Automatic Millionaire, he refers to the Latte Factor. Which is simply a reference to the small things, such as a "Latte" a day that will add up to significant amounts every month that can be used to fund your Snowball Margin. I quite enjoy a Cappuccino, the average cost being R25. I would be able to add at least R500 to my margin account if I halved my cappuccinos and drink coffee at home or work.

THE NUMBERS ADD UP

In the example above, the couple could pay back all their debt in less than seven years (seven-ty-eight months). After repaying debt they had discretionary money of R 20,613 to start investing. Assuming they were forty-five years old with a twenty year horizon to retirement, the R 20,613 invested could provide a retirement fund of R 17,247, 760. That is the power of implementing a proper financial plan.

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SECRET 6

ENSURE THEE A FUTURE INCOME

LEVERAGING YOUR MONEY

"Capital is that part of wealth which is devoted to obtaining further wealth."

- Alfred Marshall

What does Warren Buffet do differently to leverage his money, invest, earn, reinvest, and earn even more?

The answer is simple – he likes taking calculated risks. Calculated risks are those that have some probability attached to them. For example, even if you may suffer a loss, there will be a limit to it. Usually, this limit is either pre-decided or anticipated. Coming back to the question, what does Warren Buffet do differently? The best way to explain Warren and other professionals like him is a lesson I have learnt from Tony Robbins and Mark Ford called the "The Three Bucket" Investment approach. The first bucket is your Security Bucket, second is your Growth Bucket end thirdly your Dream Bucket.

First Things First - Build Your Emergency Fund Before You Begin Investing

YOUR SECURITY BUCKET COVERS ALL EMERGENCIES.

Emergencies. We have all experienced emergencies at one time or another, most of them involving money or financing of some sort. The path to prosperity and wealth begins with preparing for emergencies. It's not a question of if it will happen, but when it will happen.

SCENARIO 1

Your mother called, your father was rushed to the hospital due to stomach pains he experienced. He doesn't have any medical aid since he's already retired. They need your help in settling the hospital bills and paying for medication.

SCENARIO 2

One Friday afternoon, on the same day you were planning to go out with your friends to celebrate a friend's promotion, your boss calls you into his office. Beside him is the HR Manager. To make a long story short, although you've contributed a lot to the company, your position was

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made redundant. Ouch! You? Of all people? You're the Mark Zuckerberg and Steve Jobs of what you do! How can they do this to you?!

The cold, hard truth is, layoffs happen all the time. No one is exempt from them. Even if you're the expert or guru in your position, your company can decide one day that they're better off hiring 2-3 good people, to do the work you're doing. In all practicality, they don't need an expert. They just need good people.

SCFNARIO 3

The alarm clock rang. You hate it. You want to call in sick. Today. Tomorrow. And the Day After. You have lost your passion for your workplace, and for what you're doing. You want to get out. You want to do that thing which you were born to do, which your conscious and subconscious minds are pushing you to do. But you can't. You have bills to pay. The bills come like clockwork. They always do.

If you have saved up an emergency fund, then you can use it in any of these scenarios. In fact, you can use it for anything. It can be that your car needs repairing, you need to fix a leaking roof, etc.

Your emergency fund will keep you from touching your other savings, your investments.

So how big should your emergency fund be?

As a rule, your emergency fund should be big enough to cover all your expenses for three to six months, without you earning a single cent. This will depend on your lifestyle, and your situation. If you're the sole breadwinner, then it will be a considerable sum. If you're single and only responsible for yourself, then it will be a smaller amount.

No matter what the amount, there's no need to rush. That's right. There's no need to rush. Your emergency fund is not meant to be completed in a short amount of time. So take your time. Just make it automatic, and make it habitual. Just 10 percent of your net income every month will do, or a lot more, if you can manage.

BUILD YOUR SECOND BUCKET FOR GROWTH.

"The way to become rich is to put all your eggs in one basket and then watch that basket."

- Andrew Carnegie

Congratulations on filling your emergency bucket! Well done.

Now, it's time to build your investment portfolio. Wealth isn't created overnight, it takes hard work and planning. The owners of Nando's chicken often say that it "took them sixteen years to become an overnight success!"

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There are different types of investment vehicles you can choose from.

- · Property;
- · Life Insurance:
- Unit Trusts:
- Government Bonds:
- The Stock Market.

These are the most common types. There are others such as putting up a business, or investing in gold or jewellery, investing in commodities, etc.

We will focus on the ones mentioned above. All of these will be used to start filling bucket number two. Remember this is an ongoing process that will only stop when you have reached financial independence and retirement. If you have secured multiple incomes this will continue up until the day you die and beyond, leaving a sure legacy for your beneficiaries.

"Failing to plan is planning to fail."

- Unknown

START INVESTING TODAY

Now that you've completed your emergency fund and you've paid off all your bad debts, it's time to begin investing. If you begin working at age twenty, and will retire at the age of sixty-five, this gives you forty-five years to plan and prepare for your retirement. Not bad. If you live only up to the age of seventy, this means that you'll only have five years to worry about and plan for. Sounds good? Absolutely.

But, what if you live up to the age of eighty, ninety, or a hundred? It means that your total retirement years will be fifteen, twenty-five and thirty-five years, respectively. So it means that you have to plan and prepare for how you will support yourself for fifteen, twenty-five, and thirty-five years after retirement. Suddenly, it sounds daunting. Suddenly, it sounds overwhelmingly impossible.

The thing that you must understand is, people are living longer and longer as the years go by. You will live longer than your parents. And your children will live longer than you. Sure, you might not even reach the age of retirement because of your hypertension or high blood pressure, which runs in your family.

But, what if you do?

Make sure that how you manage your finances today, will provide you with the most comfortable living condition you can imagine, or it will be very difficult for you in your old age. Your old age is the time when you should not be worrying about how to pay for your medicines, food, or utility bills.

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Your retirement years is the time you should spend with your children and grandchildren, and not become a burden to them.

Investing for your retirement is a mindset. It is a way of life. It's not a love for money but respect for money itself. It's setting aside 20-30 percent of your income every month in unit trusts, or government bonds, or buying small amounts of equities each month, stocks from blue chip companies, which will still be there after your grandchildren have their own kids.

Investing for your retirement is not a get-rich-quick scheme. It is ensuring that you will retire comfortably in your old age. It is a constant reminder not to consume all your income every month. It is a commitment, and a promise that you're making to yourself, that you will not rely on that measly government pension, and that you will not burden your children, and their families in the future, with your cost of living. It is a hope that you will live in the most comfortable way possible, in your old age.

THE NEED FOR INVESTMENTS

Remember the old saying that the only things that are guaranteed in life are Death and Taxes? Well, this is true but not very accurate. They left out one important thing - Inflation.

When you hear people say that the inflation rate is high, they're simply saying that the cost of living rose tremendously. Rent, property, consumer goods, university tuition, petrol, medical aid, etc. - they all rise, yearly, and no one can stop it, no superhero, nor the president. Having said this, it's important to know that when it comes to your life savings, especially for your retirement, putting it in the bank is a no-no. Your money shrinks yearly.

In a nutshell, the interest rates offered by banks today, even time deposit rates, are not equal to the inflation rate. So the purchasing power of your R100 today, will be less in a years time. 5 Years from now it will be even less. Ten, twenty, or thirty years from now, consider it next to nothing.

If there are two lessons we want you to learn in this entire book, here they are.

First, respect money. Don't love money. Respect money. A love for money will make you greedy and selfish and will destroy your life. Second, you have to find a way to ensure that the growth of your money will exceed the losses brought about by inflation. Keep your emergency fund in the bank. But keep your retirement fund (investments) in other channels where they will yield a higher return over time.

PURCHASE YOUR OWN HOME.

We cannot stress enough how important it is to purchase a home. The earlier the better. Sure, you're still single and you don't know where life will lead you. We argue that when you're single, and have so much disposable income, that's the time when it's best to purchase a home.

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At this point in your life, you're not tied to so many financial responsibilities and obligations. Instead of wasting so much disposable income, you can use it to purchase a home.

Are you planning to work abroad? Great. You can lease or rent out the property and this will earn you some passive income while you're working full time abroad. Who knows, maybe you can use this extra income to pay off the monthly amortization of your housing loan, so that in time, it will actually pay for itself.

Are you planning to migrate permanently to another country, sometime in the future? Awesome. You can sell this property for much more than what you paid for it, and the money you earned will boost your finances and will assist you in the migration process.

Owning a home, or any property for that matter, is always a good, right step forward. It is a crucial step to your financial freedom. Simply put, it doesn't make sense to rent an apartment for the rest of your life. There are changes that will inevitably happen that are beyond your control.

Even if you wanted to work after the normal retirement age of sixty-five years, you may not be able to, because your health is likely to deteriorate as you grow older.

There will come a time when you won't be able to work despite your willingness to work. My personal opinion is, nobody should have to work after they are sixty-five years of age.

Your time should be spent with your spouse, visiting places you've always wanted to visit, but didn't have the time to before retiring. It's also when you should be spending more time with your family, children, grandchildren, and friends.

It also does not make sense to delay purchasing a home until later in your life, when the cost of real estate is much higher. The price of real estate, like the cost of living, increases on a yearly basis. So if you're still single and have the disposable income, purchase a home. Your future self will thank your past self for being smart and starting early on your road to financial freedom.

We would argue that owning a home by the time you retire, is already 75 percent of what you need to retire comfortably. Having a roof over your head is such an important security blanket. But as elementary as this may sound, people still miss out on this crucial step.

We won't question how difficult life is for a lot of people and that's why they were never able to achieve or complete this important step in their lives, but for the middle class professionals, those who always had a well-paying job and never experienced being unemployed, and never had any fatal or life-threatening illness, it's sad to see them without a home once they retire.

For these people, if they decide to look back on their life, and do some genuine soul-searching, they will find that they have been irresponsible with their income. By then, it will be too late.

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GFT YOURSELE SOME LIFE INSURANCE.

Like owning a home, we also cannot stress how important life and health insurance are. No widow or widower has ever said that their spouse died and left them too much life cover. There is too much financial chaos caused by too little provision for life cover, and the struggles that the family has to endure are great.

Remember Old Age. He's there. He's waiting for you, just around the corner. And he's bringing his good buddies Sickness and Death with him.

Everybody will die, whether you care to think about it or not. No one knows when they will perish. We don't care what anybody else might say, everybody should purchase some life insurance. As strange as it sounds - life cover is the best "investment" that can be made to ensure you leave a legacy for your family. The cost of premiums paid versus the pay-out amount is staggering!

This is especially important if you're planning to get married and have children. Please purchase some life insurance.

The number one problem associated with a sudden, accidental death, is the cost involved for funeral arrangements, and taxes on the properties and assets left by the deceased. Furthermore, with your passing, your family needs to adjust to the loss of family income.

There's a joke that the loudest funerals are for those people who don't have life insurance. The financial toll imposed on the family left behind is so much that the members of the family end up crying, not just out of grief, but more from the real struggle of dealing with the expenses that came out of a person's demise, sudden or not.

If you share our thinking, after we die, we want our family – parents, spouse and children, to continue enjoying the fruits of our labour, namely the properties, savings, and wealth we have accumulated through our life's work.

We don't want them to have a difficult time paying for the estate tax of the home and other properties. We will ensure our spouse continues to enjoy living in the house we purchased. Our life insurance policy will help ensure this happens.

If you love your spouse and your children, and you do not want them to suffer tremendously from financial expenses and losses brought about by your death, then please get some life insurance and make them your beneficiaries.

Please note that a life insurance policy is not meant to provide a windfall of cash to the family left behind. Sure, you can use it for that purpose. But it should be used to help the people left behind get back up on their feet, as painlessly and as soon as humanly possible, so they are able to adjust to life quickly after you're gone.

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INVEST IN GOVERNMENT BONDS

Government bonds are issued by a national government. There is a maturity date where the face value of the investment will be repaid. Aside from the face value, the government shall also pay interest periodically. The interest rate is guaranteed and is subject to tax. Depending on the terms of the bond, the interest will be paid guarterly, or semi-annually.

Among these three types of investments, namely government bonds, unit trusts, and the stock market, government bonds are the least risky since the government itself promises to pay the interest periodically, and the face value upon maturity. That being said, this type of investment will yield the lowest returns or interest, as guaranteed by the government.

INVEST IN UNIT TRUSTS

There are companies that pool or combine money from different investors and expertly invest for them and manage their funds. These are called unit trusts. A fund manager is the one in charge of investing the money in either bonds, government securities, the stock market, or a mix of these, depending on the investors' preference.

Basically, unit trusts are for people who have no time or patience to learn and invest in the stock market, money market, or government bonds. So what they do is leave it up to the fund manager to expertly manage their funds for investing. In return for his services, the fund manager/company charges a minimal fee, based on the amount of funds invested.

The nice thing about unit trusts is that you can always add additional funds to invest in succeeding months. This is also called topping up. Usually, this is not required and is always up to the investor.

The interests earned by unit trusts are subject to tax.

Warning: Please note that interest rates and returns in unit trusts are not guaranteed. If any company or fund manager claims guaranteed returns, then be wary, it could be a scam. It is always best to check with the regulatory bodies to verify the legitimacy and authenticity of the company. You must also check if the fund manager, agent, or representative you're dealing with, is really authorised to do business with the company he's representing. Also remember to check the real returns! Just because a fund manager claims his/her fund is offering returns of 15 percent p.a. - doesn't mean that you are getting that return! What if the fees are 8 percent?

INVEST IN THE STOCK MARKET

A few years ago I read a book by Bo Sanchez, a Filipino Catholic lay preacher, who taught his maids and driver to invest in the stock market.

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The concept is so simple it will blow your mind. Through Bo Sanchez's talks and preaching, a lot of people were encouraged to invest in the stock market. Please note that there's a big difference in investing and trading in the stock market. Trading in the stock market means buying today and selling tomorrow, or after only a few hours. The moment the market price shifts, you sell immediately. While investing in the stock market means that you purchase shares of humongous, gigantic corporations every month, corporations that will outlive you, your children, and your grandchildren's children.

Regardless of your background and knowledge you know instinctively that there are companies that are so stable they have been there since the time of your grandfather and you know that these companies will outlive you as well.

Every month, purchase shares from these corporations and don't cash in until your retirement. Due to market fluctuations, there will be times when you will actually see your money shrinking - that your stock portfolio actually decreased, that you actually lost money. Don't be alarmed. It doesn't matter because we're talking about long-term investing. Long-term investing means ten, twenty, or thirty years, until you retire.

We are confident that our money in the stock market will grow over time, in the long haul. Selling shares out of panic because the stock market dips, means you are realising a loss! - don't panic and just wait for things to recover. A more defensive strategy can be adopted nearer to retirement where capital can be protected, without getting out of growth funds.

I'll let you in on a little secret. Investing in the stock market is my preferred mode of investing for my retirement. Now that you have accomplished what you need by paying off your mortgage and purchasing sufficient life insurance, you need to invest 10 percent of your income every month, buying shares of huge, gigantic corporations, in the Stock Market. Whether the price is up or down, just buy every month. And diversify.

"Don't put all your eggs in one basket."

Nothing can be truer than this statement when investing in the stock market. Don't just buy stocks from one company. Buy stocks from huge corporations in different fields - property, services, consumer goods, telecommunications, utilities, Information Technology, etc.

You can only purchase stocks through a stock broker. Make sure you deal with accredited stock brokers. All buy, sell, and withdraw transactions are subject to government tax. The stock broker also charges a minimal fee on each buy, sell, or withdraw transaction. The tax and fees depend on each transaction amount.

Warning: Investing in the stock market is not a get-rich quick scheme, and investing in the stock market poses some real, tangible risks.

You need to study, research, and talk to a stock broker. If the risks are more than you can stomach and handle, then you have to go with your gut instinct and choose another form of investment.

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BEWARE OF INVESTMENT SCAMS

Investment scams abound. You have to be careful. I've seen people lose their entire pension and life savings to these investment scams. You have to do your homework, before you invest. If a company promises mind-blowing returns in a short amount of time, chances are, it's a scam and most likely illegal. Check with the Financial Services Board. Check with investment experts. When it comes to investing your hard-earned money, don't leave anything to chance, especially if your chief motivation is missing out on an "opportunity of a lifetime." Make no mistake. There's no such thing as an opportunity of a lifetime. The only opportunity of a lifetime is winning the lottery. That's it. Investing for your retirement is not like winning the lottery. It requires informed, educated choices. It requires commitment and discipline.

ACHIEVABLE PERCENTAGES

- CASH

Several decades ago it was possible to earn 10 percent interest and it was possible to see your money growing significantly, year by year (even though inflation made that money worth less than it looked, it was still encouraging). Now that interest rates globally are tiny amounts (in fact, made negative by inflation) many people think that it is not worth holding savings in this way.

However, for smallish amounts, it can be useful. You need a certain amount as an emergency fund so that you don't need to go into debt if, for example, your car needs an emergency repair.

Nowadays, it is possible to get anything between 1 percent and 3.5 percent interest on money in a bank. The higher amount is for savings that you can lock in for a certain length of time, middling interest amounts are on accounts with some conditions. While it seems a waste of possible earning time to learn about these things, it is essential to keep an eye on these issues and to follow the reports until you understand them fully. NEVER just trust a broker until you understand completely what he is offering, what the alternatives are for it, and 'what is in it for him'. Nobody cares as much about your money's benefit to you as you do.

And that means that you must keep an eye on your accounts. Loyalty to any particular bank or account makes no sense these days; often those accounts drop their interest rates so low after a year that they are making more money from those loyal 'clients' (a.k.a mugs) who mistakenly believe that the loyal customers are treated best. Move your money regularly as necessary to keep on top of the better rates. If you have a tie-in or penalty rate, work out whether it makes sense to pay it off to move to a better account which may only be open for a short time.

- BONDS

Bonds are similar to cash in that you buy the bond and get a guaranteed return on your income, and the bonds can be liquidated at a later date for a varying amount, or will mature at the fixed amount. This is supposedly riskier than cash. Government bonds are guaranteed unless

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the government goes bust. Up until 2008, this was considered unthinkable, but since the global banking collapse, all bets are off the table.

Corporate bonds are loans to businesses. They are as secure as the business is, and in case of trouble are repaid before the shareholders see any returns. The higher the risk, the higher the returns, which range from 2 percent to 15 percent on issuance of the bonds. Sometimes you get a higher rate on your money, if you buy the bond at a discount from an earlier investor, via the stock-market, and the market feels the business is doing less well.

FUNDS

Funds are an overall term for groups of investments. Many stockbrokers use the word as a catchall term for Unit Trusts. Another type of fund is an Investment Trust; these are not pushed by the brokerage houses because they don't get the commission that is possible to get on the other funds. Remember, your question should be 'what's in it for them?' when considering why you're being advised to go a certain way.

The difference is that Unit Trusts are open-ended investments. People can keep piling money into the fund, the fund manager buys the investments that he/she thinks are best, and the income is paid out, after all the charges and costs, to the investors.

Investment Trusts are different. They are closed funds, in that, like a company, there are only a fixed number of 'shares' to invest in. The managers use their money to try and achieve income or capital growth or both, depending on the stated aim of the Trust; and the income is partly set aside for bad times and the rest distributed to the investors.

In bad years, some of the stockpiled cash is doled out to keep the investor's income stable. Some of the Investment Trusts have over forty years of steadily increasing dividends behind them (even during the recent recessions). These trusts are great for the hands-off investor, or pensioners, because you don't have to think about keeping some of your wealth back for bad years.

You, of course, are not the average investor, and can make your own choices of what is best for you - which may well be an Investment Trust, so that you can concentrate on your businesses or other wealth growing projects. Or, of course, you may wish to invest directly in stocks that you choose yourself. You merely decide that the dividend income is paid into a holding account, and then take income from it in smaller amounts, to build up your own buffer for the leaner months or years.

Another type of fund is a PUT. The Property Unit Trust is a long-standing form of investment vehicle in South Africa. In these funds, the money is used to purchase Real Estate, usually commercial, such as shopping malls, but sometimes residential property developments.

PUTs have to distribute a certain percentage of their rental income to their investors, so there is no cushion left for a bad year in retail income, for example.

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But PUTs are a good way of investing in the real estate market, because you are hands-off (no calls from tenants at 3 am with a leak in the roof), your money is part of a portfolio of properties, and the money is as easily liquidated as shares; whereas if you have only a single rental property and you need the capital, you have to sell that property, which can take time and it may be at a loss of capital. A single property is also liable to rental voids, where there is no income, but still the outgoings.

STOCKS

Stocks or shares are basically certificates of ownership of that part of a company. Own stock and you are a (part) business owner. Well done!

The yield, or percentage return, that you get on your investment varies regularly based on the price you paid for that stock and on the dividend pay-out decided by the company. Most companies pay dividends twice a year, an interim and a final. Some pay every three months. If you buy a R1 stock, that means when the company originally created and sold that share, they got R1 for it. Now, you might have to pay R100 for that stock, but the company doesn't get it, the seller of that stock gets it, minus trading costs.

All it means is that the company has been valued by the markets (i.e. so-called financial experts) as worth a lot more these days. If that R100 stock is allocated R10 a year dividend, then the yield you get is 10 percent. In a couple of years' time, if things go well, you may get R15 in dividends which is 15 percent on your purchase price, but the stock is now selling for R150, so it's still 10 percent yield for new purchasers. You have that capital gain on your stock as well as an increased yield.

However the same is true the other way around. For true passive income you may be better off buying good quality stocks at a reasonable return and then just hold on to them, take the income, and not worry too much about the ups and downs of the market. For real hands-off investments, a Fund (as above) may be the way to go, though the results won't be so spectacularly up (or down).

RENTAL YIFLDS FTC.

When you buy property directly, your yield is a result of the purchase price you paid and what you spent on refurbishing it. One hundred thousand out, ten thousand in per year in rent is a gross yield of 10 percent. Except it's not. You have in fact spent perhaps twenty thousand and the rest is borrowed, so your gross yield is 50 percent on your own money - but that is before all costs including the mortgage. This is called leverage, using other people's money to make more money for yourself.

This can work beautifully, and real estate has been an excellent way to make a lot of money in the past. Often, only a decade ago, you didn't even need a deposit, as you could borrow all that you needed at really low rates. However, since the financial melt-down everything has changed.

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We still believe that real-estate is a good place to be in, but you need to take a much more cautious approach.

Be certain that the figures still add up even if the interest rates on your mortgage go up. Know what you will do if you have no tenant for a while. What happens if you get a bad tenant who trashes the place? Find other people in your area, perhaps a local landlords association, and ask lots of questions. They will generally be very happy to help you. If they are selling properties and tell you that rentals are a bust locally at the moment, then take it seriously - if it's more than just one person who has overstretched themselves.

A good yield on property is locked in generally at buying the right property in the right location at the right price. This is a particular business that shouldn't be jumped into without a lot of research and planning on your part.

COMMODITIES AND SIMILAR

- COMMODITIES

"Commodities" is a really scary term for the new investor, mainly because they are rarely talked about and can seem hard to understand. However, as you build up your wealth it is so important to diversify and you will need to understand all types of possible investments.

Even if you decide not to actually invest, knowing about the possibility and understanding what you would be getting into can protect you from plausible people trying to part you from your money for their own benefit rather than yours. It is likely that you will not be directly investing until you have a lot more than your first ten thousand, but it's a good time to learn.

Commodities are merely 'things'. Soft commodities are generally things that have grown, such as sugar, bananas or coffee. Hard commodities are usually things that have been mined or extracted, for example gold, silver or oil. There are further links for your research in the resources section. We would also like to encourage you to take a punt here and there.

If you are not in the market, you are not committing yourself to making a decision and learning to take a risk. When you have built up your wealth to a certain level, say the ten thousand that we are talking about here, then it's time to take some of it, split it into money seeds; small enough amounts that you can afford to take a considered risk with; and enter several markets.

By taking those risks you will be diversifying your wealth, you will be interested enough to follow what's happening in the world that you've entered, and it will help to stop you becoming too attached to your money to take a chance, which will in the long run stop you from becoming wealthy.

With commodities, you can either buy the real thing, or invest in a fund that then buys options in those commodities.

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Commodities and the specific items described below, are a risk. For example food is always needed, and with a rapidly growing global population, agriculture is a growing need. However, as new production comes on-stream, certain types of commodities may swing wildly in value.

It is best only to diversify into commodities with money that you can afford to lose, and at the very least, that you definitely will not need for at least five years.

PRECIOUS METALS

Gold and silver are the classic symbols of wealth. However, they are also tangible modern certainties of that wealth. Modern paper currencies used to be tied to them - heard about the 'gold standard'? But since the paper, or fiat currencies broke loose from gold, the governments of the world have been devaluing the currency hidden under your mattress faster than you can say 'quantitative easing'.

When you buy actual precious metals, they don't pay you interest or dividends; you are holding them in the hope of capital gains, or at least that they will hold their true value. The problems with holding real gold or silver is that you either have to pay for the secure storage, and trust whoever is offering it; or take a risk and hold some at home.

We do recommend though, that you hold a little in an actual precious metal. Search online for buying bullion, and find somewhere that is as secure as possible, or you can order your metal from the mint; tell no-one that you possess it, and order a little.

A Krugerrand is the most well-known gold coin in South Africa, currently worth around R13 500.

- OTHER ITEMS

Other items where you may decide to invest in the future could be jewellery such as collectors' watches, fine art, antique porcelain from the far east, rare stamps, even diamonds(provided they come with certificates) and many other types of collectible items. All of them can be fun, can make huge profits - or equally huge losses; they must be very carefully stored and expensively insured.

We will not delve further in this book because you need to be much further along in your wealth road than this quick start book in order to look at this field unless you already have great expertise, and you must also realise what a gamble it can be.

Of course, if you are at a garage sale one day and see something that you like at a very low cost, it will be very good educationally for you whatever the item currently turns out to be worth. You may make twenty thousand percent, or find that your eye for quality needs training. It's all good fun.

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- FORFX

Trading in forex - or foreign exchange rates - is not really for you when you are in the early stages of wealth creation. It is possible to make huge fortunes very quickly, and to lose them again just as quickly. We cannot stress how important it is to be wary of such ways of becoming wealthy until you understand completely how they work and how risky they are, and whether you can afford to take that risk.

OPTIONS OR SWAPS

This is another area you need to investigate further. To put it in its simplest form, you decide that you are willing to buy stock x for R65. It is currently at R74. You place an option to buy a thousand stocks at R65 in three months' time. A person who owns the stock wants to remove the risk of the stock collapsing. He will pay, say R50 for the security. You get R50. If the share stays high, the option expires after the three months, and you have gained R50. Alternatively, the stock drops to R62, and the stock owner decides to exercise the option. You must buy it for R65, and he's happy. You aren't bothered, because you decided that the stock was worth R65 to you (perhaps for its dividend yield), didn't you? Since we are told that most options expire without being exercised, it is a way to get the cash into your account for little effort and no money up front. But it is a risky field and you need to make sure you are well qualified to do the full research.

DO YOUR OWN RESEARCH

In all areas of investment, we have to repeat here the importance of doing your own research. Be prepared to ask questions to anyone who wants you to invest with them, and find out what's in it for them. We don't know of any professional person who does these things out of the goodness of their heart for no profit or ulterior motive. One question that often confounds them is 'Are you invested in this, and how much?' The same goes for friends or family members who want you to fund their venture. We hate to be cruel here, but this can frequently be the route to broken friendships, or fractured families. If that friend can't get bank funding, why not? If they aren't a good risk, why do you want to risk your money? Even if you decide not to pursue the repayment, and kiss the money goodbye in your mind, it will often be too embarrassing for your friend to face you again, so you lose both the money and the friend.

Have a reason ready for why you can't invest now, for example you've tied the money up for 5 years, or it's in case of a big medical bill, or your daughter needs a deposit on her house or wedding next year. Do not, out of sympathy, offer to be a loan guarantor for anyone - no one at all, ever.

WATCH WHAT THE WEALTHY DO, NOT THE APPARENTLY WEALTHY

When investing, it can be very rewarding (financially) and interesting, to study the truly wealthy and see how they invest and grow their wealth. Reading good books (there's a selection to begin with at the back of this book) is an essential lesson on growing your own wealth safely.

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When studying the wealthy, make sure they are truly wealthy; not just those earning huge incomes and spending the lot. The truly wealthy are rarely those living celebrity lifestyles unless they have spent many years working for their wealth first. Learn a lesson from the wealthiest on the planet - Warren Buffett and Bill Gates, for example. You are unlikely to see them on the front of the tabloid newspapers or celebrity magazines on a frequent basis. Often they live relatively quiet lifestyles and spend freely on their charity giving and work.

INVESTING IN YOU AND OTHER STUFF

- SELF-EDUCATION

Investing covers many other topics than just the ways explained in the previous chapters. Self-investment is vital as you begin your wealth journey.

The greater the income you can bring in each month or year, the greater the speed of wealth creation, provided your expenses stay low.

We are not talking here about long college courses and universities in order to become a highly qualified professional, such as a lawyer or doctor; instead we are talking about educating yourself; deciding what you need to know at this point in time, and going out and finding out about it.

Long, expensive university degrees that only help you to earn more per hour can be a distraction and diversion from true wealth creation. However, learning to create wealth without having to continue to spend time after the early stages is wise.

If you decide that you want to learn how to keep the books for your new home business, read up around it. Invest the time to find a good website, or a highly recommended book and buy it (or borrow it from the library). Invest the time to learn what you need to know. You do not need to become a certified accountant, or to take any exams or tests. Just learn what you need to. A certificate to hang on your wall won't cut it. Doing the books so that a certified person can approve them without charging you too many hours is what will save you money.

Then you have the time to invest in the next thing you need to know. Maybe you have decided to write a book like this one. If you want to design the cover yourself, you will need to learn about the different programs that you can use, choose one, and learn how to use it. On the other hand, you may decide that it is better to leverage your time by paying for a great cover design, while using your time to write the next book. It depends very much on where your basic design skills and talents lie.

- BUSINESS/PROPERTIES

Investing directly in businesses, rather than just buying shares, is another way to invest. The business you invest in might be your own, as simple as buying a few brochures for your network

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marketing business, right up to getting a prototype made of your new idea to take to a business investor, and getting leaflets printed up.

Buying properties for your rental property empire needs investment too. It needs investment in time to get the right financing and the knowledge needed to get the right property and to find good tenants; as well as actual money for the deposit. You will need to invest the time in joining landlord associations, finding someone who is willing to mentor you through the early days. You need to invest time in finding good workmen to be available to maintain your property, or you may wish to pay for a course in basic plumbing and repairs so that you can do the basic maintenance yourself.

BE CRITICAL OF LONG-TERM LOSSES AND TIME WASTED

Sometimes you may invest a great deal of time and significant amounts of money in a project and you become more and more dissatisfied with its longer-term prospects. That is the time to consider whether to stop now and take the loss, or to carry on.

Never do either in a hurry. To stop investing and take the loss can be the right thing to do, but it can also mean that you stop just before you were about to win big. This is called the 'desert of desertion' and it is often said that many people give up just before they were going to succeed.

However, it can also be called 'throwing good money after bad' and many other hopefuls go on and on, putting more and more money into ventures because they have invested so much already, and it might only need just a little more.

When you come to making this decision, the best thing of all is to take advice. We do not mean taking advice from a friend, family member or business partner (though you need to discuss the issues with him/her). We mean going to your local chamber of commerce, or similar organisation locally; and discussing all the issues quite openly. See what they have to say, and thank them for their input. Do this as many times as you can find respected business minds in your field.

Go home and weigh up everything that has been said. Then make your own considered decision, and stick with it. Do not give into regrets later. You did the best you could to get all the information you needed, and made the best decision at the time. If you decide to stick with it, continue with all your heart. If you mess up, learn from the wreckage, forget the losses, and try again.

LEARN ABOUT IT FIRST THEN MAKE CONSIDERED DECISIONS

In this section, we have made a variety of suggestions. Hopefully, a few will give you some ideas to think about. Then it's time to invest some of your wealth-gaining time into careful research and find out what is best for you.

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Everybody is different and everybody has different needs at different stages of their lives, so you need to be happy with the choices that you make for yourself.

So what if something goes wrong? Move on, learn from the experience, and make more money elsewhere to recover.

"Inflation is taxation without legislation."

– Milton Friedman

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SECRET 7

INCREASE THY ABILITY TO EARN

TO EARN MORE, LEARN MORE

"You need to genuinely increase your sense of self-worth, and the best way to do that is to increase your value to the world by learning new skills."

- Mike Dillard

DEVELOP YOUR FINANCIAL WISDOM

Do you find yourself thinking "Investing is for professionals only", or, "Brokers and financial advisers just want to cash in on my hard-earned money", or even, "I only finished high school and I'll be poor all my life, just like my parents, and my grandparents."

If yes, please stop it. Stop thinking this way.

Press Control Alt Delete to remove this kind of negative thinking, permanently, from your mind.

This kind of thinking is precisely how you got yourself and your family in to this difficult financial situation in the first place. It's time to change your internal dialogue. It's time for a healthier, and more accurate mindset.

Investing is not only for the elite, or those who possess Business degrees, or those who graduated from top universities.

Investing is not only for the rich. Investing is for you, your children, and your grandchildren. Investing is for everyone.

Admit it, the only reason you refuse to talk about investing or, much less, to think about it, is right now, at this point in time, you know squat, zilch, nada! It's time to change this. Believe it or not, there was a time when you were bold. At that time you learned and absorbed anything and everything.

If children were scared of learning, then nobody would be able to read, or write, or talk, as well as we do today. Be a child. Be open to learning.

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READ BOOKS

Read books on financial literacy, the different types of investments, and how to make more money.

Instead of watching another hour of TV, or playing another game on your smart phone, walk or drive over to your nearest school or public library.

Everything you need to know about investing, about multiplying your money, about retiring comfortably, has already been written.

Never skimp on investing on your financial education. Spend the time and money. It will be so worth it.

ATTEND SEMINARS

When it comes to investing, you have to be sure that the medium is right for you and that you know all the risks there are to know. The only way to do this is to congregate and converse with like-minded individuals so that you will avoid investment scams and minimize, if not completely remove, the risk of losing your hard-earned money, in the long run.

You can attend financial literacy seminars to learn about different types of investments.

To illustrate, before we select a new smart phone, we check out all the specifications and features and compare these to other models and brands. We do this to ensure that the smart phone we will purchase, will be perfect for us and will satisfy all our needs for a smart phone.

What more do we need to know or do when it comes to our investments? We have to do our homework. We have to check where we want to put our money. We have to check the returns, versus the risks involved.

Warning: There is no shortage of investment scams and con artists out there. Make sure you attend seminars that are endorsed by people you trust and respect and that are legal. When something is too good to be true, it probably is. One thing to keep in mind is to stay away from organizations that promise insanely high returns in a short amount of time. Most likely, these are scams and are illegal.

GET FINANCIAL MENTORS

If you want to double or triple your income in the next five years, or if you want to reach a certain income level of, let's say R100, 000, you have to surround yourself with people who are already earning this much.

If you want to build a successful business, you have to seek guidance from others who have started their own businesses and have thrived.

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The world is a free-market system, it dictates how much money you make according to the following three factors:

- 1. The level of competition
- 2. The level of skill or education you require to perform this specific task; and
- 3. The amount of leverage you can apply, i.e. the number of people that will benefit from your skill or expertise.

The simplest example would be to compare a waiter and a brain surgeon on the above factors and see how they stack-up. If you are a waiter you will most probably be stuck at the bottom of the food chain, career wise that is. Let's investigate, you have significant competition due to zero barriers to entry skills and expertise, in addition to this you will also only be able to serve one person at a time, or at best a table or two, so you will not be able to leverage your skillset.

A brain surgeon on the other hand has little competition as a result of a need for high level, unique skills to do what must be done. That's why they would be at the top of the earners list. Compare a brain surgeon to a professional golfer who can delight thousands of fans around the world with his ability to leverage his skills.

Depending on what your specific skillset entails, the question must be "How do I remove my-self from the competition?" "What additional skills and education can I learn that would elevate me?", and "How do I apply a factor of leverage to my skillset to get to more people?"

If you want to learn how to invest and make money in the stock market, you have to hang out with people who have done it, and who are doing it already. You can get financial mentors or coaches in a variety of ways.

You can read their books. You can sign up on their website's mailing list. You can search for them in financial literacy seminars and build a relationship with them over time.

The wisdom of these people is invaluable. They can provide important lessons so you can avoid having to make the same mistakes they did when they were just starting out. Learn all that you can, then apply the lessons to your investments.

JOIN A MASTERMIND GROUP

In the first decade of the twentieth century, a young journalist was dispatched to conduct an interview with a, by then famous, giant of industry. Considering just 1 percent of business owners today are millionaires in 2015, to be a billionaire back in the early 1900's is nothing short of astounding.

Andrew Carnegie was a Scottish steel baron based in the US. He'd become famous not just for his wealth, but by the fact that sixty people employed by him were millionaires in their own right. How they'd achieved such personal wealth in Carnegie's employ had remained somewhat of a "secret". It became known as Carnegie's "Secret".

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The story goes that the young journalist, a man by the name of Napoleon Hill, was scheduled to meet with Mr. Carnegie for an hour. Allegedly, the meeting lasted considerably longer, "days" according to some sources, and at the end of this time Carnegie gave Hill an ultimatum to, on his sponsorship, research the most successful people and the most spectacular failures of the generation, and document the difference as a testament to what really creates success in life.

Carnegie was apparently unimpressed by how poorly formal education equipped young people to successfully navigate the world (oh how far we have come). He allegedly sensed Hill was the man to have the persistence and determination to bring the Carnegie "secret" to the world.

A "secret" that had enabled the Scot to dominate the steel industry. In the interview, Hill asked Carnegie, "To what do you attribute your great success?" To which Carnegie responded, "A Master Mind." Hill later said: "Carnegie was a man of imagination. He first created a definite purpose and then surrounded himself with men who had the training and the vision and the capacity necessary for the transformation of that purpose into reality."

Carnegie is reported to have been part of several Master Minds full of "executives" collaborating in a unique alliance to generate wealth and personal success.

Given that sixty on his payroll were millionaires, and Carnegie himself attributed his entire fortune to the "power" he accumulated through the "Master Mind Principle", and Hill's subsequent publication of his years of research into Carnegie's "secret", "Think and Grow Rich", which is credited in creating more millionaires than any other written media, and, according to Hill, the likes of Ford, Wrigley, Rockefeller, Edison, Roosevelt, and Gillette all generated their wealth through the "Master Mind Principle". You'd have thought business owners all over the world would be actively participating in one today.

Sadly, it's not the case because:

- Very few people know what a Master Mind is;
- Very few people know how to facilitate one;
- Consequently, a "real" Master Mind based on Carnegie's philosophy is extremely rare.

But what's the crux of the Carnegie "secret"?

Hill explains it with an analogy to batteries. Citing the fact that a group of batteries will always provide more energy than a single battery, he also points out that "a single battery will provide energy in proportion to the number and capacity of the cells it contains".

He goes on to explain that he mind works in a similar manner. He concludes: "A group of minds coordinated (or connected) in a spirit of harmony will provide more thought-energy than a single mind, just as a group of electric batteries will provide more energy than a single battery."

Consequently, "the Master Mind Principle holds the secret of the POWER wielded by people who surround themselves with the minds of other capable individuals."

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To the average man on the street, the average business owner, the average "thinker" yielding "average" results, to those immersed in mass consciousness without even knowing it, the premise of Carnegie's "secret" seems peculiar, weird or even "psycho-babble." But to those of us who've experienced the power of a Master Mind, and the long list of those who credit it with generating seven zero's or more in their bank account, it does not seem at all perculiar, weird and certainly not like psyco-babble.

FARN 10 TIMES MORE

If you want to enjoy 10 times more wealth than you currently do, asking yourself "How can I make more money?" is not the right way to go about it. Instead, try figuring out how you can deliver more value to people. Brainstorm with your Master Mind (and understand what the biggest challenges and/or fears are that people face in your industry and come up with ways to serve them with an excess of value.

There is a central tenet to the "Success Philosophy" we have picked up in all the books, seminars, webinars and courses that we have attended.

It is very simple:

"Money is nothing but the measure of the value you create for other people."
As Brian Tracy puts it, this is the "Law of Income." "You get paid in direct proportion to the amount of value you deliver according to the marketplace."

Your financial success, and ability to earn more, is directly related to the size of the problem you solve for other people (solve BIG problems and you'll make BIG money). You will always be paid in direct proportion to the work you do, how well you do it, and the difficulty of replacing you. Do more than you are paid for.

"There are never traffic jams on the extra mile."

- Brian Tracy

According to Brian Tracy "Successful people are always looking for opportunities to help others. Unsuccessful people are always asking, "What's in it for me?" "You become rich by enriching others!" says Carl Nightingale in his course "The Strangest Secret", a sentiment echoed by the words of Zig Ziglar. You can get everything in life that you want if you will help enough other people get what they want."

BE SO GOOD THEY CAN'T IGNORE YOU

Cal Newport, a professor at Georgetown, wrote an amazing book titled "Be so Good They Can't Ignore You." In his book he originally set out to answer the question, "Are people successful when they follow their passion?" Surprisingly, the answer he came to is no! Newport found that as people developed valuable skills, they became more passionate about the work."

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Newport said, "My advice is to abandon the passion mindset that asks "What does this job offer me?" Am I happy with this job? Is it giving me everything I want?" He suggested shifting to a mindset of "What am I offering the world? How valuable am I? Am I really not that valuable? If I'm not that valuable then I shouldn't expect things in my working life. How can I get better?" His advice simply says, "Become so good at a valuable skill that the world cannot ignore you. That is how you get ahead in life."

When reading this and grasping the value of the advice, do the following: find the skills which compliment your strengths, improve them and make them an art, showcase them to the world and success will follow.

BLUEPRINT BUSINESSPLAN FOR MORE INCOME

Mike Dillard, author of Magnetic Sponsoring and the creator of The Elevation Group shared his philosophy on how to build a business from scratch to start generating a surplus income in your life.

Firstly, define the financial goal or destination you want to achieve and the future date, and then start working backwards.

So in this example, let's say you want to earn an extra R20,000 per month in recurring income twelve to eighteen months from now. Start figuring out how to start a simple, elegant, and profitable business this year that can realistically produce at least R 240,000 in profit.

The question would be around what currently makes you tick, what do you do and what skillset you have that you can leverage in your new venture. We will use our core business, financial services, as an example. By reading this book you are already a part of our business model that should generate additional income for the authors in the next twelve to eighteen months.

Back to the Beginning... For the past few years, we've been deeply concerned about the moral decay and corruption we see around the world today.

Some of the most visible systems of this corruption took to the world stage during the financial collapse of 2008, as countless laws were broken, and financial lives devastated. Virtually no one was punished, yet the average individual in America had to bail out the banks with trillions of dollars in taxpayers' money.

Back home in South Africa we now have the highest level of unemployment with more than five million people jobless, and not earning an income. One of the only solutions we have for our economic and social problems is to seriously start creating new job opportunities. One of the purposes of this book, specifically this part, is to start the discussion and the journey in creating new businesses, which in turn will create new job opportunities.

99 Percent of the people in this world, including government and so called "leaders", point the finger and blame the symptoms...

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If we have gun violence, don't address the root of violence, just make guns illegal.

If kids are getting obese, don't stop feeding them sugar, just replace it with a man-made chemical that causes cancer.

If kids are achieving poor academic results, don't address what is taking place in the classroom, just lower the testing standard.

If families can't afford to repay a home loan over twenty years because of poor financial education, don't roll out educational courses, just extend the term to thirty years.

If individuals can't afford to save to buy luxuries, give them a store card with credit and exorbitant interest rates to pay off over time...

We can carry on forever.

This is a fools approach to the world. If you want to solve the problem, you must start rectifying the cause, not the symptom.

Here's a question for you...

What is the only effective way to change the financial destiny of a society and eliminate some of our most burning issues without using the force of a gun or resorting to more violence?

The answer: We must change the values held within our society.

If the three generations in South Africa that are still around were never taught the principals of money and managing it, or creating new jobs, without knowing what to do or how to change it, the difference between right and wrong, how will we ever get out of our current situation?

So this is where our journey collides with yours. The goal of this book, the workbook and journal, videos and seminars created is to provide our generation, and the ones to follow, access to mentors, their own mastermind who can give them the knowledge, wisdom and leadership they need in order to fulfil their highest potential in every area of their life, starting with business, finance, relationships, and health to ultimately leaving a lasting legacy.

So the book that you are holding is the first step in this business model. Chances are if you are reading a hardcopy, you received a free copy. Our purpose is not to make money from actual sales of the book, our primary purpose is to add significant value to your life by producing great content but our noble mission does not replace the requirement for a sound business model.

So here is the plan...

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Any Profitable Business Model Needs Four Components:

- 1. The first is a large market of people you're extremely passionate about helping, and the knowledge and skills to serve them.
- 2. The second is the ability to provide that audience with free, high-value content on a consistent basis in order to build and maintain a relationship.
- 3. The third is an extremely high-value, front end product that costs less than R 1,000. this product is going to be someone's first experience as a customer of your business. It needs to turn them into raving, life-long fans by exceeding their expectations. You'll know you've succeeded if they ask you why you're not charging ten times more for it. 100 percent of the revenue generated from the sale of this product will go back into marketing in order to acquire more customers. This is called a "self-liquidating offer". The ability to put all of this income back into marketing is what separates those who make money in a business from those who don't. But if all of that money goes back into marketing, you need at least one more piece to actually make a profit.
- 4. Finally, you need at least one high-priced back end product that sells for R 2,500 to R 25,000 100 percent of this income is kept as profit.

So let's take a detailed look at the complete model with its numbers...

The Market: We have chosen a few economically active people who are interested in personal development, and improving every aspect of their life from business to finances, to health, to relationships, to parenting. More specific people who and serious about changing the financial legacy that they leave behind.

Free High-value Content: The Ordinary Millionaire will provide free content that will allow us to deliver a massive amount of value and build an on-going relationship with our audience on a regular basis.

Front end Product: We believe that there is a large part of our audience that is serious about making lasting changes and becoming financially free by applying the principles within this book. Collectively we have been in the financial services industry for more than two hundred and fifty years!

In addition we have built multiple businesses from scratch to businesses with revenue in excess of R 150 million.

This skillset, and our ability to teach these principles to others is the most valuable asset we have to offer, so that is what we will do with the launch of "The Ordinary Millionaire Coaching Platform."

The Mastermind Group will allow you to participate in a coaching program that will be available to anyone and everyone, members will have access to a brand new, private members website with a community forum.

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Each month mentees will get access to the following:

- A monthly webinar with some of the mastermind coaches on various topics from business builders, to investing, to tax reduction, asset protection, debt optimisation, and income generation opportunities;
- A livecast event where we will be answering questions submitted by members. These
 could be on any facet of their business, relationships or finances.
- Access to a library of training videos and more than two hundred online E-courses.
- The most valuable of it all, which is something that has not been done before, is a monthly
 look inside of our business as we grow it. We will give you the business plans, marketing
 journeys, how we generate clients, the scripts, e-mails, everything to learn about this business and replicate it in any industry.
- All of this we will do at an annual price of R 997 or R97 per month.

That's it. Each membership will automatically renew on a yearly basis for R 997, which comes with a 100 percent money-back guarantee if you try the program for ninety days and don't get any value out of it.

In order to create a metric for the program we must be able to meet our goal of offering 10x more value compared to what we charge, and you will be the judge of this.

So here's how the numbers stack up...

Our goal is to acquire 100 front-end customers per month at R 997. 100 Percent of this will go back into the marketing budget, so we can basically spend R 997 to acquire a new customer (cost-to-acquire). We know that a 5 percent conversion rate would be possible. This means that we should acquire one new paying customer for every twenty leads generated. R 997 divided by twenty leads gives you R 50 to spend per lead in order to generate one customer for R 997 or less.

Finally, the fourth component to this business model, which should be ultra-high value, approximately priced back-end product for your best customers. The monthly subscription business model is one of the best to use for beginners. It is based on a subscription model where you can use information products that you created around your passion, the one that we explained in step 3. We have done a significant amount of research through coaching and mentorship programmes and attending events hosted by the world's best marketers on these business models. The likes of Brendon Burchard, Mike Koenigs, Pam Hendrickson, Ed Rush, and Jeff Walker were amongst our mentors.

So the last leg of this business model would be to launch a high level business coaching program with a detailed, step-by-step program teaching you how to create your own monthly continuity business around your biggest interest, hobby or passions.

The price of this exclusive training program will be dependent on the level you chose and range between R 25,000 and R 150,000. It will include your own version of our membership site as well

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as a copy of all our marketing material. The goal of this program will be to allow someone to start from nothing, and end up with a fully-functional membership business within sixty days.

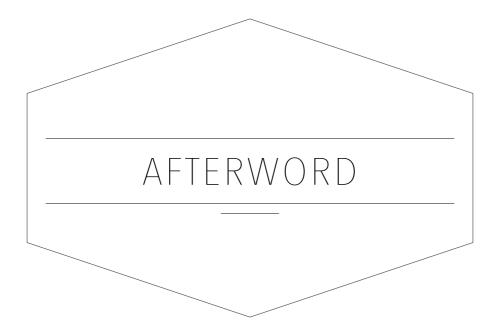
So to generate 100 paying customers per month at a 5 percent conversion rate we will need to generate 2 000 leads per month. 2 000 leads x 5 percent conversion = 100 clients.

We believe one out of every hundred Mastermind customers will be interested in creating their own membership business. $1 \times R 25,000 = R 25,000$ per month income or R 300,000 per annum.

In addition, if we generate 100 new clients per month, which is 1200 new clients per year to market any new products too.

To find out more on how to implement a similar model in your business, irrespective of the nature, keep an eye on the launch of the Ordinary Millionaire Mastermind Group.

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We hope that this book will bring about a glorious revolution in your life!

We know and understand the immediate, real-world consequences of the actions related to your financial decisions and we realise that you need reassurance that your sacrifices will result in something positive down the line, and we want you to know that these are reasonable and valid demands.

You now have the responsibility to increase your insight and skill, to develop your mindset from its present state to that Ordinary Millionaire status. We suspect that you may still have trouble implementing most of what you have now learned, and that is where we come in.

It is our responsibility, now that you have made the decision to become financially free, to further share our knowledge and expertise with you, and to help you to incorporate these lessons into your life!

And it doesn't hurt that it may add something brilliant to the plot, too... becoming an Ordinary Millionaire!

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RESOURCES

- 1. **T. Harv Eker.** is an author, businessman and motivational speaker known for his theories on wealth and motivation. He is the author of the book Secrets of the Millionaire Mind published by HarperCollins. His website is www.harveker.com
- John Assaraf is a serial entrepreneur, brain researcher, and CEO of PraxisNow, a brain-research company that creates some of the most powerful evidence-based brain retraining tools and programs in the world. He is also the author of The Answer. His website is www. johnassaraf.com
- 3. Robert T. Kiyosaki is an American investor, entrepreneur, self-help author, motivational speaker, financial literacy activist, financial commentator, and radio personality. He is the author of the bestselling Rich Dad Poor Dad. His website is www.richdad.com
- 4. George Samuel Clason, was born in Louisiana, Missouri in 1874, and died in Napa, California in 1957. During his eighty two years he was a soldier, businessman and author of the bestselling The Richest Man in Babylon that was first printer in 1926.
- 5. Mike Dillard, father, entrepreneur, investor, author and freedom fighter achieved his first million dollar success as a 27 year old. He wrote the bestselling Magnetic Sponsoring and is the creator of the Elevation Group, an investment membership site with more than 50 000 members. His website is www.mikedillard.com
- 6. Brian Tracy is the most listened to audio author on personal and business success in the world today. His fast-moving talks and seminars on leadership, sales, managerial effectiveness and business strategy are loaded with powerful, proven ideas and strategies that people can immediately apply to get better results in every area. Brian is the author of more than 50 bestselling books. His website is www.briantracy.com

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- 7. **Mike Koenigs** is a serial entrepreneur, founder and CEO of Instant Customer and Traffic Geyser. he will help you grow your business by simplifying and automating marketing and teaching you "new media" skills that help you market and sell better online by elevating your value and brand. Mike is the bestselling author of a number of books, amongst other Publish to Profit. His website is www.mikekoenigs.com.
- 8. Pam Hendrickson was the Vice President of Content & Product Development at Robbins Research International Inc., and was part of building the company, and part of creating products, coaching programs and live events at a hands-on level. She is now a business women in her own right and partners Mike Koenigs. Her website is www.pamhendrickson. com
- 9. **Brendon Burchard** is the founder of High Performance Academy, the legendary personal development program for achievers, and Experts Academy, the world's most comprehensive marketing training for authors, speakers, life coaches, and online thought leaders. He is the bestselling author of amongst other The Millionaire Messenger. His website is www. brendonburchard.com.
- **10. Wouter Snyman** is the CEO and founder of the attooh! Group of Companies and the best-selling author of Would Driving A Porsche Change Your Life? He is passionate about helping entrepreneurs succeed in South Africa. His website is www.woutersnyman.com

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It takes more than money to live a life of abundance and TrueWealth. "The Ordinary Millionaire – 7 Secrets of the Happy, Healthy, and Wealthy" gives you a simple and easy to understand quide on your journey to Financial Independence.

The Ordinary Millionaire speaks to the core purpose of the attooh! Group of Companies, "Making Ordinary People Millionaires and making Millionaires Financially Independent."

This book is a unique publication, with inputs from a number of Financial Planners and Industry Experts, and will be the one guide that you need to make this journey worth your while.

Wouter Snyman, founder and CEO of the attooh! Group of Companies, has more than 23 years' experience in the financial services industry and has headed up various divisions in Banking and Insurance for world leading companies such as Standard Corporate and Merchant Bank as well as The Discovery Group. He is well respected in the industry as a thought leader and innovator and wrote the #1 Amazon Bestseller, "Would Driving a Porsche change your life?"

He recently won the 2015 Titan Building Nations award for South Africa for his meaningful contribution made in the industry and the positive input he has in our country.

Wouter is married to his beautiful wife, Annelie, and they have two children, Anchen and Wernu. He has swum the Midmar Mile 6 times, enjoys the outdoors, is a voracious reader (more than 3000 books) and generally believes that every person has a good soul.