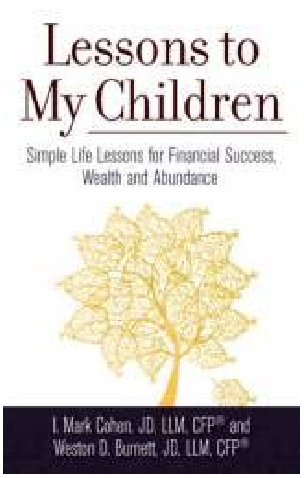
Book Excerpt: Lessons to My Children-Simple Life Lessons for Financial Success, Wealth and Abundance



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Lessons to My Children-Simple Life Lessons for Financial Success, Wealth and Abundance (www.lessonstomychildren.com)

Introduction

When you are young, you have an asset that's even more powerful than money – time. As with most things in life, you can use your time wisely or squander it. The sooner in life that you learn how to manage your money, the more wealth and financial security you will accumulate. You don't have to be rich or even reasonably well-off, just motivated to follow the information in these lessons regularly and consistently. And you can start at any time, but now is best.

If you purchased this book to learn the principles of sound financial judgment, read on. If you are looking to pass these principles for financial success onto another, then hand the book over to that young adult you know. Alternately, you might use the information contained here as a framework to start that conversation with your own children or another young adult you care enough about to give them the best possible financial start. Taken together or separately, these Lessons will provide a beacon to guide you through the sometimes tumultuous sea of finances.

LESSON 1

Pay Yourself First

What is not started today is never finished tomorrow.
Johann Wolfgang von Goethe

You are your own greatest asset. If you invest in yourself by getting an education and maintaining good health through exercise and eating well, you reap the rewards throughout life. The same is true of finances. So when you receive that first paycheck, rather than asking how much is left over for movies, dinners out, and clothes after rent, gas, and living expenses are paid, consider how much to "invest" in yourself through saving for the future. Because the more you save, the more self-reliant and self-sustaining you become, through both good times and bad.

Why Pay Myself First?

Let's face it: It's much easier to **not** even think about a savings plan, especially when you're young. Human nature being what it is, most of us prefer the instant gratification of **impulse buying** – purchasing whatever suits our whims at a particular moment – over voluntarily denying ourselves and putting away money. So the best way to make sure you save is to automatically put funds into a savings account at the start of each pay period. If it's already allotted and you can't see it, then you won't be tempted to spend it.

Before you start saving, however, you'll need to know how much you can realistically put away. That involves setting up a **budget**, a plan involving sums of money allocated for a particular purpose, such as gas, rent, and utilities. To set up your budget you'll need your first paycheck for the full pay period. Having a complete check – whether you're paid weekly, biweekly, or monthly will give you an idea of how much money you actually have. Ideally, 90 percent of your take-home pay can be used to create the budget, with the remaining 10 percent being used for savings. See Lesson 3 for more details on setting up and living within a budget.

(Anecdote) Ruth's Story

When I started working part-time, my Dad agreed to match my earnings with a contribution of up to $2,000 per year in an individual retirement account (IRA). Although retirement was the last thing on the mind of this 16-year-old, I really liked the idea of money in the bank, so I went along with the plan. Dad would do this for the two years I worked while in high school and all the years I was in college, up to 10 total years.

However, as part of the deal, Dad asked me to figure out how much would be in my retirement account assuming I got a 10 percent annual return and there were no other contributions. I calculated that at age 65 I would have more than $1.3 million in the IRA. In other words, because of the time value of money, we invested a total of $20,000 and received back $1.3 million 49 years later. How cool was that?

Then he had me calculate how much I would accumulate if I waited 10 years to age 26 and invested $2,000 per year for every year until retirement. The answer was a real shocker – I would only have about $800,000 at retirement! I would be investing $58,000 more and getting half a million less!

Finally, he asked me to estimate how much I would have to invest every year if I were to end up with $1.3 million, but started after college at age 26. That was a little harder to do, but we calculated that I would need to invest $3,238 per year for the next 39 years, or $126,293, to accumulate $1.3 million. I had only invested $20,000 in those first 10 years, but missing those years would have cost me over $100,000 in additional savings to make up for the lost time. When it comes to investing, the early bird who saves regularly really does get the worm!

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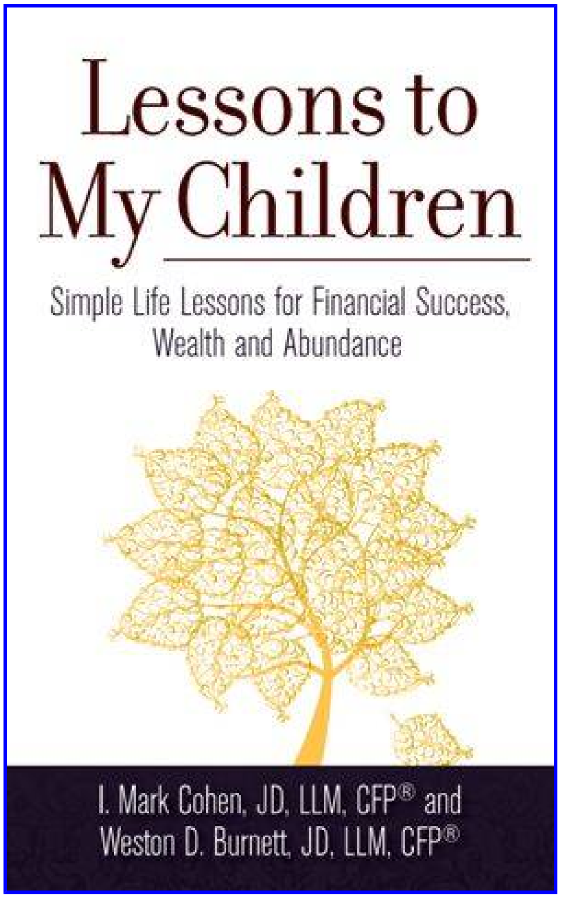

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