Thinking Like the Rich

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There are some things that the rich do and the way they think that makes them different from you and me. These habits contribute to their ability to build and maintain long-lasting wealth and financial independence across several generations.

The first lesson is that they tend to live below their means in terms of their lifestyle regardless of their income. Warren Buffet refuses to spend more than about $15,000 on a car. His logic is that any more money spent on a car, which is just basic transportation to him, would cost him multiples of money more than that in the investment returns he can earn on that extra money.

He also bought and still lives in a modest house in Omaha, Nebraska, that he purchased in 1958 for $31,500. Instead of spending large sums of money on mortgage payments, Canadians should look at using the extra money to build their savings and investment assets.

The point is to not overspend on your lifestyle. Facebook founder Mark Zuckerberg has followed this advice and drives a modest $30,000 Acura TSX. They have no need or interest in trying to impress others with the type of car they drive.

Another thing is not to travel with large amounts of cash. The temptation is to overspend. According to Bankrate.com, 86% of people who spend cash on luxuries like expensive cars and jewelry and electronics are non-millionaires trying to act the part by purchasing luxury brands. Instead follow the example of oil mogul T. Boone Pickens who shops with a grocery list and only carries enough cash to cover his intended purchases.

The next lesson is to avoid paying the full price for consumer goods. Hilary Swank, with an estimated net worth of $40 million, is often seen using coupons at the grocery store. Michelle Obama often opts to shop at Target or H&M rather than high-end department stores. The lesson here is to adopt a frugal mindset as a way to build wealth over time.

Finally, all self-made millionaires are people of action! They don’t sit around feeling sorry for themselves or waiting for something good to happen to them. This is different from those reported 15% of Canadians whose financial strategy for retirement is to win the lottery!

The wealthy are people of action, who take appropriate risks, are constantly looking to improve themselves and are dedicated to acquiring and using knowledge as the best way to gain a competitive advantage in life’s financial endeavors.

Truly rich people are those who take their extra income and turn it into wealth by investing wisely, saving and living well below their financial means. Other people who take their income and use it to support an unsustainable lifestyle (living pay-cheque to pay-cheque) are those that often end up mired debt and unable to retire on their own terms. When it comes to money and finances it all boils down to choices and values. Which path are you taking?

Call us today to discuss your approach and how we may be of assistance in getting you where you want to go faster and more effectively than might otherwise be the case.

Do you have questions about money management? Contact our office today !

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