10 thoughts on Proper Money Mindset

1. At some point, you have to decide to spend less than what you make. It's simple math.

2. At some point, you have to understand that what you "make" is not what you "keep." Companies often tout their earnings and revenues. That's neat, but it's not the bottom-line. Revenues are total earnings. What are the profits? (revenues minus expenses?). Run your household the same way. You may "make" $20 an hour or $40,000 a year, but that has nothing to do with your "profits." What do you bring home? What you "make" is only a reference point. What you "keep" after net pay and expense is what you have to deal with. Again, it's simple math and it's where the budget process begins.

3. At some point, you have to understand the value of a dollar bill. It represents the time that you spent to acquire it. When you purchase something, you're not just trading money, you're trading the time it took to get the money. You also have to understand the temporal versus the eternal value of money. Don't get over spiritual with this, but you have to evaluate money. Do I really need a $70,000 Lexus that is temporary? Or can I get by with a nice 30K alternative and consider doing something with the other 40K that will make an eternal difference? Don't get wrapped around the car type or the numbers. Those are examples. Understand the CONCEPT of evaluating temporal value versus eternal value.

4. Avoid the mistaken mentality of "it's only a dollar, it's only 5 dollars, etc." Learn to manage the dollars and the hundreds of dollars and thousands of dollars will manage themselves because you've established principles. Money is a RESOURCE. Individual resources (dollars bills) sometimes don't seemingly amount to much. But when you pool resources together (bunches of dollar bills) you get a different result. Understand compound interest and building reserves (savings) for financial security and unexpected expenses. A simple $1000 in savings can save you some serious grief and most people don't have it. It's not that hard when you understand how to avoid the "it's only a dollar" syndrome. Sodas are only a dollar in most business machines. Let's say you buy a soda in the morning and one in the afternoon. After all, they're only a dollar. Cut that only a dollar out and you have $520 in savings over the years. 2 cokes at only a dollar each = $2 x 5 work days x 52 work weeks = $520. "it's only a dollar" :~)

5. You can have anything you want, but you can't have everything you want. This requires the ability to prioritize, focus on your life's goals, and live a balanced life. You have to know who you are and where you are going. Otherwise, you'll live your entire life in SEVERE debt.

6. You must determine what the total cost of an item is. Monthly payments are irrelevant and tell you NOTHING. Translate everything into an annual cost as a percentage of your annual net earnings (profits). If you pay $100 a month for a storage unit that tells you absolutely NOTHING. Annualize it and then determine what % that $1200 is of your total annual net pay/profit. If you bring home 20K per year and you spend $1200 a year on a storage unit, you spend 6 % of your profit on storage. If you don't tithe (10%), you could get rid of the storage unit and have over ½ of your tithe money automatically put back in your budget. The storage unit has temporal value. The tithe is eternal. Evaluate it and act according to whatever you think makes more sense. You decide.

7. You must understand the difference between assets and liabilities. Assets make money. Liabilities cost money. Most people mistakenly think their homes and their cars are their two biggest assets. Wrong. Homes and cars cost money, not make money. Real estate "investing" is a different animal – we're talking about your primary home. It's a cash eater, not a cash cow. You have to have a home, but you MUST understand it's an

expense/liability, not an asset in the true sense of the word – remember, an asset makes money.

8. You must understand the power of delayed gratification and the sense of accomplishment that goes with working hard toward a financial goal and the sense of pride and self-discipline that goes with it. Most people never know the feeling.

9. You must understand the free market economy you live in. It's the greatest system in the world, but it will EAT YOUR LUNCH if you don't understand how to function in it. Retailers and advertisers spend tons of effort and study in determining how to get you to spend your money. They're professionals at it. You have to become a professional at keeping it.

10. You must start with the end in mind. Any system requires knowledge of the raw inputs and the desired outcome. Financial / money management is a system and you must learn to manage the system. You will retire someday if the Lord tarries. Most 20 year olds are thinking about tomorrow because 65 seems like an eternity away. The day will come and you will be met with financial failure and disaster if you have not prepared, planned, and thought about that day well in advance.