



Financial Life Notes #6

From Martin Wealth Management, LLC



**For your Financial Independence and Peace of Mind
Martin Wealth Management, LLC
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Living a Successful Financial Life Rule #1 - Spend Less than You Earn

Rules for a successful financial life are profuse. Lists of rules abound. Even the short lists are long. I do my best to boil down the myriad of advice that is available to their essence – to the basic core behaviors that you must follow to lead a successful financial life.

I will be using the next several issues of this newsletter to share with you the rules and behaviors that I view as key to achieving financial success.

Although I view many behaviors as important, there is one rule that is so basic, so indispensable, and so central to your financial success – that it inevitably raises to the top of any list I create.

That rule is “**Spend less than you earn (10% less).**”

If you follow this rule – you will automatically be doing a lot of things right:

- You will not need credit cards.
- You will have emergency funds.
- You will be building financial independence funds.

If you can learn to follow this one rule, you will be well on your way to living a successful financial life. Everything else is icing on the cake.

If you do not follow this rule – anything else you do is almost wasted.

I can't claim to have invented this one. It has been around for a long time and goes by many names:

- live within your means
- save 10% of what you make



- pay yourself first
- etc., etc., etc.

When I say "spend less than you earn", I mean live on 10% less than your total income. This will allow you to save at least 10% of all money that you receive during the year for your future security and financial independence.

Four Hints:

- 1. Make a commitment to yourself**
Commit that you will spend at least 10% less than you earn and manage the money you save reasonably. Once you make the commitment, the details of how to do it will fall into place.
- 2. Make the savings automatic**
Having to write a check to savings each month significantly decreases your chances of success. Find a way to automatically take the savings out of your paycheck before you see it: used automatic withdrawals, make automatic contributions to your savings plans (401Ks, IRAs, etc.). Do whatever it takes.
- 3. Forget the Joneses**
Most of our problems stem from trying to keep up with the "Joneses" - comparing ourselves to others – what we earn, what we have, etc. The Joneses have done far more harm to us than any of us know. This subject is addressed in great and interesting detail at:
www.forgetthejoneses.com
- 4. Learn to enjoy the simple life**
We make life too complicated. Learn to enjoy the simple pleasures of life. Vacation locally, cook more, and go out to eat less.

What to do with that 10% you save:

You should be doing three things with money you save:

1. Build a liquid cash reserve so that you have money set aside for emergencies
2. If you don't already own a home, start setting money aside for a down payment on a home
3. Begin investing money for your financial independence

After a few years, you will own a home and your cash reserves will be in place. From that point on, the entire amount you save will go toward building for your financial independence.



Classes for Youth and Young Adults Being Introduced

In response to numerous requests, I am developing a set of classes for high school students, college-age students and young adults just starting their careers.

The classes will give students the information that they need to get their financial life off to a strong start.

The formal announcement for the classes will be sent out to this same list next week.

Ask Steve

Q: What is a fee-only financial planner?

A: Fee-Only financial advisors are compensated only by their clients and accept no commissions or compensation from other sources, such as insurance products or investments; rather, fee-only advisors charge only hourly or fixed fees (including retainers). Many confuse "fee-only" with "asset-based" advisors who charge a fee calculated as a percentage (e.g., 1%) of assets under management. The fee-only model of compensation reduces the potential for conflicts of interest between the advisor and the client in that the advisor is not beholden to insurance, investment, and other financial companies.

Investing Quote of the Week

"Most individual investors would be better off in **an index mutual fund.**"

- [Peter Lynch](#)

Does your group need a speaker?

If your group needs a speaker, please contact Steve at Steve.martin@mwm3.com. Topics include – "Your Money and Your Life", "Passing on Your Values", "The Five Fundamentals of a Successful Financial Life", "Raising Money-Wise Kids", and "Grand-parenting for Money-Wise Grandchildren".

I hope you enjoy this issue and find some of these tools useful. If you have any questions or comments, please send me an email at steve.martin@mwm3.com.

Steve



Martin Wealth Management, LLC, is a Fee-Only Financial Planning firm located in Fort Collins, Colorado, and is a Registered Investment Advisor with the State of Colorado.

Martin Wealth Management was founded on the belief that people should use their money to create a fulfilling life – rather than using their life just to create money. Financial Life Planning from Martin Wealth Management begins with this assumption and focuses on your values and dreams. We utilize concepts and processes developed by George Kinder – known as the “Father of Financial Life Planning.”

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**Please call for a free initial consultation or to arrange for a speaking engagement for your organization.
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