



## Step One: Looks Are Deceiving



*"Appearances are often deceiving" – Aesop*

I know a lot of wealthy people who truly are independently secure. But you would never know it by looking at or talking to them.

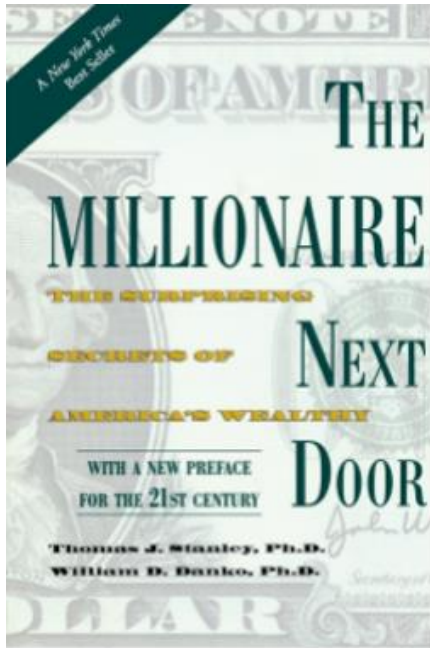
I also know a lot of high-income earning people who I consider broke, even if they do not realize the obvious. But you would never know it by looking at or talking to them.

Both groups can be measured by their net worth. Again, you would never know it by looking at their outward appearance, the cars they drive, the clothes they wear, or their attitudes.

Especially their attitudes.



I rarely start off with a book recommendation. But this is an eye-opening read and worthy of at least scanning through and reading certain sections. You can download and enjoy a free sample at the Kindle link below. If you have Kindle Unlimited, it's free!



Recommended Reading

[The Millionaire Next Door](#) (273 pages)

Published in 2010 it's ranked 379 on Amazon's Best Seller list as of this writing. This book is #2 in the motivational genre and #8 in the Business and Money genre with 2,753 reviews and an average 4.5-star rating. This book is worth the download or at least looking for it at your local library.

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During their research in preparation for writing *The Millionaire Next Door*, Dr. Thomas J. Stanley and Dr. William D. Danko spent 20 years interviewing members of this elite club. Their findings shattered the contemporary held beliefs about America's rich—and how they got that way. You just have to follow seven simple guidelines (not a system) to emulate their success:

1. They live below their means
2. They allocate their time, energy and money efficiently in ways conducive to building wealth
3. They believe financial independence is more important than displaying high social status
4. Their parents did not provide economic outpatient care
5. Their children are economically self-sufficient

6. They are proficient in targeting market opportunities
7. They choose the right occupation

As with many management and motivational books, I glance over the math or ignore it altogether. No research is perfect, and like any diligent analysis, there are flaws or the data becomes outdated.

What I ferret out are principles I can apply to better position myself for success, such as the seven simple guidelines listed above.

[Smart Money](#) The old school method of living below your means is the foundation for financial independence. I love this quote from Dr. Thomas J. Stanley:



*“America is often referred to as the land of the free. But most people in this country are not really free. They are tied to debt and a treadmill existence” – [Dr. Thomas J. Stanley](#)*

[Wealth vs. Income](#) Make no mistake; these words are not synonymous. Nor are they interchangeable.

Wealth is having an abundance of resources rarely threatened when the storms of life come at you when you least expect it. Wealth is what allows you to live through lengthy and difficult times when your income dries up.



Income is just a number. That is all. It is money received. Numbers can be your friend if you allow them to do what they are supposed to do, which is to increase value to your personal and professional net worth. They can also be your worst enemy if you do not respect and understand how they can work for you.

**Quick Litmus Test** When you pull out your ATM card, credit card, or wad of cash, ask yourself what are the *Opportunity Costs*. This is the loss of potential gain from opportunities you ignore when you choose an alternative.

**Makers of Fortune** One take away from *The Millionaire Next Door* is that wealth and income are not the same. Millionaires in this study often buy a house in middle-income blue-collar neighborhoods, drive domestic cars, purchase suits off the rack, and do not spend much on watches and jewelry. They would rather invest in blue chip stocks that pay dividends or on rental properties.

**Fakers of Fortune** Conversely, there are those who try to give an appearance of wealth. However, they are a financial house of cards. Straddled with debt, these forgers of affluence find it difficult, if not impossible, to weather a storm such as the housing bubble and market crash of 2006 - 2007. Here is another quote from Dr. Thomas J. Stanley I like:

*“The typical household should be able to put away 5 percent of their annual income while they are in their 30s, 10 percent when they are in their 40s, and 20 percent when they are in their 50s.”*

Two ultra-high net worth public figures, [Warren Buffett](#) and [Mark Zuckerberg](#), are well-known for their frugal spending. As of this writing, Buffet still lives in the same house in Omaha Nebraska he bought fifty years ago for \$31,500. I love reading Snippets of how wealthy people live:

[5 Ultra-Rich People Who Live Below Their Means](#)

[5 Billionaires Who Live Below Their Means](#)



[Oh By the Way](#) Final thought: the government goes after income, not wealth if wisely invested. Good to know moving forward.





Not to worry. Learn from your mistakes. Better yet, learn from observing other people's mistakes. And viola – you now have experience and good judgment.

In this microwave world where people want everything now, the gift of recognizing your surroundings seems to be a lost art these days.



**Call to Action:** Make a list of everything you did that can be filed under poor judgment that has negatively affected your Net worth. We'll cover many of these topics as we progress through the Twelve Steps.