

WHY WHY WHY

To double your money, fold it and put it back in your pocket.

As the old saying goes, 'a penny saved is a penny earned.'

Managing money is not hard, but it does take focus and attention. Here are the key items:

Manage your investments

Sure you can hire a manager but you still have to research and choose the right managers for you. Then you still have to watch your money and the effectiveness of the chosen person. You have to change when it is necessary and you have to pay attention to the possibilities.

Manage your spending

I like to use the 5% rule. If retired, or planning for retirement, you can only spend 5% of your assets each year. By using a 5% spend rate you should be fine. Some years you will earn more than 10%, some years nothing, and some years you will lose money.

I also tell people to use the 5% spend rate to determine how much principal they have to have to retire. For example, if you need \$100,000 a year income then at 5% you'll need \$2,000,000 in the bank. Then, I tell them to double the amount. That covers inflation and a severe stock market adjustment.

Test your purchases. Is the item worth the expense. Is it in your budget that you have set up? Ideally, you have a budget and that budget includes money being put away for retirement. If the item is more than your budget then you need to decide if it is worth going without something else in your budget. It's choices.

Is the purchase worth the time it would take to earn the money, after taxes, to purchase it? What if it took one month? Would you invest one month of your life working to have the item? If yes, get it. If no, then go without or look for an alternative that is acceptable in price and value, that you would be willing to work for.

Living on a budget is important for all of us. It helps us make decisions and help us to value things.

Without a budget, or plan, it's easy to give into the emotion of the moment and make the purchase. It is only later that we realize we did not need it, or did not need such a big one, or whatever it is.

Life is to be lived and enjoyed. Doing so takes money. Earning money is one part, investing money is another, and spending the rest. It's a balance.

Do you need a big house? Is it worth the taxes, the expense, and the upkeep? Are you a slave to the house? Are there other things you'd rather be doing with your time and money?

What we do or buy does not have to be forever. We can have a great experience, but we can also move on to new ones.

I used to work hard, buy new cars all the time, and just spend as I was earning. When I realized it was not worth it, I changed. In changing I saw vividly how much I was wasting on stuff that did not give value. Now, I have a 10 year old sports car that still does not have 50,000 miles. It's as good as a new one and, in many respects, feels as good or better. Better in that the car is fine, and the savings makes me feel good.

Now I am aware of people with far more money than I that watch what they spend more closely than I. An older gentleman took some people out on his boat for lunch and was going to tie up at a dock. They wanted \$10. He told them it was too much and went out, set his anchor at age 70, and rowed in to the free dock to take his guests for lunch. Well, that might have been a little much, but it proved a point to me.

How much will you save keeping a car longer? How much will you save by buying a Subaru? In the area I live, the joke is that if you want to find the truly wealthy people look for those that drive a Subaru. Maybe that is one of the reasons they have all the money.

It's not about being cheap. It's not about going without. It's about buying what has true value to you, what is worth your time and effort. Is it more important to have money to educate your grandchildren, or to take a long vacation, or to own a new car? Do you get a \$5,000,000 ski condo or one for \$100,000 or less on the same mountain?

The more things you have, the more it costs to keep them, as well as the income potential from the lost cost capital. Expensive cars cost far more to maintain and repair than some other vehicles that are just as good. Look and you will be surprised. I was.

Notice your friends that always take great vacations. I have found they are the ones that search the deals and schedule based on great deals. They know how to travel and they know value.

I was skiing in Telluride. The lift tickets were \$98 a day. We ran into a club. They paid \$48 a day for their tickets and discounted lodgings. A retired couple joined for the savings. They also packed their lunch to eat on the mountain. Well, the mountain food is about \$15 a person and no better than a packed lunch. Who is the smartest? They get to travel more and do more, spending far less.

How big a boat do you need? The bigger the boat, the more it costs, the more it costs to dock and maintain. At some point you even need a captain and crew. Look at the cost vs the usage. You'll find that, unless you love it and use it often, it's cheaper to rent. You will also find that a smaller boat will fit your needs 99% of the time.

As we get older our values change. We no longer need to impress anyone, and we focus more on what has value to us. Age does bring wisdom.

Double your money and don't waste it. You'll have the extra you need for a rainy day, to help your children, to help your grandchildren, to give to the charities of your choice, and to enjoy your sunset years.