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Your Keys To Better Budgeting

- Setting limits doesn't necessarily save money…
- Be the A person!
- **Do you want to make thousands in 16 seconds?**



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Dear Reader,

One of the definitions of the word “budget” is “a plan for the coordination of resources and expenditures.”

Rich dad also said a budget is a plan. He went on to say, “Most people use their budget as a plan to become poor or middle-class

rather than a plan to become rich. Most people operate their lives on a budget deficit rather than a budget surplus. Instead of working to create a budget surplus, many people work to live below their means, which often means creating a budget deficit."

As we know, many people are in debt because they spend more than they earn. One of the reasons people have less to spend is because financial predators are taking money from workers before they get paid. The justification for taking workers' money before they get paid is that most lack the financial intelligence to manage their own money. If our schools had financial education, maybe the workers could be trusted to manage their own money, rather than let bureaucrats and bankers manage their money for them.

Rich dad said, "You can tell a person's future by looking at what they spend their time and money on." He also said, "Time and money are very important assets. Spend them wisely."

Bad Budgeting Advice #1: See A World Of Scarcity

The classic mantra to "live below your means" is one of the most destructive things you can teach someone about money. It teaches people to think in terms of scarcity. You only have so much, so you must be careful not to run out.

I will often share the story of how growing up my poor dad would always say, "I can't afford that." My rich dad, however, would ask the question, "How can I afford that?" One way of thinking, my poor dad's way, sees a world of scarcity. My rich dad would see a world of abundance.

Rather than live below your means, how can you find a way to increase your means?

Bad Budgeting Advice #2: Set Limits

When you live in a world of scarcity, you must find ways to conserve what you have. So, naturally, you set limits. Not going out to eat, creating systems to limit spending, and doing everything yourself instead of hiring an expert are all ways those with a scarcity mindset set limits to “save” money.

Unfortunately, they sometimes don’t save money, and even when they do, they feel unfulfilled, stressed, and don’t get to enjoy the things they want to.

Again, there are many good reasons to limit things in life. For instance, maybe you don’t eat out because you want to control what is in your food or spend more time with your family. Or maybe you do a DIY project because you really enjoy learning new things. But not being able to afford them should not be the motivating factor.

Rather than set limits, the rich understand that limits are only a state of mind. If you see the world as one of abundance, the trick comes in figuring out how you can tap into the abundance, not miserly protect the little bit you’ve managed to earn.

Bad Budgeting Advice #3: Set The Wrong Example

Ultimately, if you follow the advice of conventional money experts and model this behavior for your family, you’ll continue to raise generations who struggle to make ends meet financially. Worse yet, you’ll teach them to see the world as one of scarcity, limiting their mindset and potential in the process. Instead, take a leap and start

to learn how you can achieve all that you set your mind to. Pass those lessons, both from success and failure, on to your children. They'll be better off for it.

Now let's get to the positives.

Budgeting Advice #1: A Budget Surplus Is An Expense

One of my rich dad's most important lessons was, "You have to make a surplus an expense."

What he meant is that most people view a surplus as an asset. They place their extra cash in the bank or they spend it on liabilities. Rather than view extra money as an asset, rich dad viewed it as an expense in the form of charity, investing, and saving.

Most people want to give to charity, invest in assets, and save money, but the problem is that they view it as something to do after they've paid their expenses. By making these things expenses in his budget, my rich dad ensured that he would make them a priority. He called it paying himself first.

Budgeting Advice #2: Your Expense Column Is A Crystal Ball

If you want to predict a person's financial future, look no further than their expense column.

Person A:	Person B:
Donation to charity	Six-pack of beer
Savings	New shoes
Books on investing	New TV
Seminar on real estate	Football tickets
Gym dues	(Another) Six-pack of beer
Personal coach	Bag of potato chips

While that's a humorous example, it's not far from the truth. When you look at most people's expense columns, they're littered with payments to other people and for liabilities. In each case, expenses only go to things that permanently take money out of your pocket, rather than things that will make money.

Budgeting Advice #3:Use Assets To Pay For Liabilities

My poor dad was frugal and thought that was a virtue. If he wanted a luxury item, he'd simply deny himself that item. He'd say, "We can't afford it."

My rich dad loved luxury and if he wanted a nice toy, he'd find a way to buy it. He wasn't reckless with his money. Rather, he was smart in how he made it work for him and used his financial education. He asked, "How can we afford it?"

By increasing his assets, which increased his monthly cash flow, my rich dad used this money to purchase his luxury items and liabilities. If he wanted a nice car, he'd invest money until the asset produced enough cash flow required to purchase that car. Then he

had a nice car and a great asset.

Kim and I have used this philosophy over and over in our life to buy things we enjoy and build our wealth in the process.

Budgeting Advice #4: Spend To Get Rich

Being able to execute on the first three budgeting tips means building a mindset that says, "When the going gets tough, the tough get going." Most people stop spending on charity, investing, and saving when times get tough. The rich, however, figure out ways to make more money by spending more money on assets, even when times are tough.

When Kim and I were over $1 million in debt, we could have easily thrown in the towel, gotten jobs, and settled into a middle-class life. Instead, we always paid ourselves first by budgeting for financial education and investments (much to our bookkeeper's despair) and hustled hard to find ways to make more money to pay our bills.

By pushing through those hard times, we developed a mentality that enabled us to make more money, no matter what the circumstances and you can do the same. And that will make you richer than you ever imagined.

Regards,



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