

Your Money

by Cheryl Hanson Simpson



Increase Your Net Worth

I daydream constantly about being wealthy. I'm fed up with not earning enough money, and tired of having to scrimp each month to make ends meet. What should I be doing now so that one day I can really be rich?

I believe that at some point, everybody has fantasised about being very wealthy and living like individuals in the upper class featured on *Lifestyles of the Rich and Famous*. While most people never realise that dream, a select few have been able to figure out a way to make the wealth gods smile in their favour.

What is it that separates this small percentage of the population that has achieved great riches from the rest of the world? One of the reasons, according to T. Harv Eker, bestselling author of the *Secrets of the Millionaire Mind*, is that people who are determined to be rich focus on increasing their net worth.

What's your net worth? It is a calculation of your financial value which is found by subtracting your total liabilities from the total value of your assets. As Eker explains, net worth is the ultimate measure of wealth as what you own can eventually be liquidated into cash.

Most people focus on what they earn for an income as a means of getting richer. Yes, your income is important, but it is only one factor that contributes to your net worth. Eker outlines four essential factors that contribute to achieving a high net worth:

1. Income

Income can be further classified into Working Income and Passive Income. Your working income is the return you make from your nine-to-five job. In order to receive it, you must physically work. Working income is very important because your earnings fuel the other factors that make up your net worth. To speed your route to riches, you'll have to find ways to earn more income.

Passive income on the other hand, is money that you receive without actually expending any energy to get it. Types of passive income include royalties, network marketing residual income, interest from investments, and rental income. To build net worth you must actively look for opportunities to earn passive income.

2. Savings

The foundation to building wealth is saving some of your income. The person who earns \$20,000 per month and saves \$10,000, is ultimately wealthier than the person who earns \$200,000 per month and spends it all. You will not be able to build net worth if you don't have a disciplined attitude towards putting aside at least ten percent of your income.

3. Investments

While it's important to set aside some of your earnings by saving, investing is what will make your money really grow. An investment is any item that is bought to increase in value in the future. You benefit from your investments by selling them for profit or using them to provide an income in the future.

Eker advises that you make the effort to learn about investing. He says that wealthy people make it their business to become expert investors, or they seek out professional advisors that can make their investments work for them. "The better you are at investing the faster your money will grow and the faster you'll create a high net worth."

4. Simplification

According to Eker, simplification is where you create a lifestyle where you need less money to live on. The idea is to reduce your living expenses in order to free up more money to be channeled into savings and investing. Instead of pretending that you're rich by buying an expensive car and taking out a loan that wipes out half your income, build your net worth by making sacrifices now for future wealth.

Therefore, your steps to true wealth should include; earning more, looking for ways to earn passive income, saving more, working with a financial planner who can recommend good investment options, and cutting back on unnecessary expenses. Focus on your net worth by regularly keeping track of its growth every three months.

You can also learn how to build your net worth by discovering the secrets of the rich: attend wealth-building seminars, listen to audio books on financial development, and read about the strategies used by the select few who made it into the world of the wealthy.

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