

How to Reach the Millionaire Zone



Whether to live the lifestyle of the rich and famous, or simply to have financial security, becoming a millionaire is the stuff of which dreams are made. What many don't realize is that the millionaire status is entirely within their reach, and it doesn't involve winning the lottery or inheriting a fortune. It is something much less exciting, and much more of a sure-thing.

Time is money's best friend, and by beginning to save and invest at an early age, you can expect fantastic returns. As a matter of fact, if you begin investing \$200 per month at age 25, and continue to do so until age 65, assuming the historical stock market return of eight percent, you will have a nest-egg worth \$650,000.

Add in retirement savings at work. A 401(k) retirement vehicle uses pre-tax dollars, often matched by the employer, to form the employee's retirement portfolio. Fully maximizing contributions is the goal, but let's stay conservative with a \$200 total monthly contribution (\$100 from the employee and \$100 from the employer), and apply the same assumptions as above to equal another \$650,000 at age 65.

To find the money to begin saving and investing, consider the following tips from Family Foundations. Remember, small changes add up to big savings. Select the ones that you can implement long-term, and you'll be on your way to the millionaire zone.

- The very best way to save money is to have it deducted from your paycheck. You can't spend what you don't have.
- Get organized. Know where your money is going by tracking every cent you spend.
- When you receive any windfall money (raise, bonus, gift, etc.) pretend it never happened. Instead, increase your retirement contribution.
- Review your W-4 at work, making sure the correct number of withholding allowances is selected. The average federal income tax refund has been averaging well over \$2,000 in recent years. That means the consumer could have had an extra \$200 in his pocket each month all year long. There's no reason to give Uncle Sam an interest-free loan.
- Examine every spending category, and cut 10 percent from each. You can't reduce your fixed expenses such as rent or mortgage, car payment, etc, but you can painlessly cut 10 percent from the other categories such as groceries, clothing, gasoline, gifts, utilities, etc.
- Pay cash for everything. Paying with cash makes us think before we spend. Paying with plastic intentionally distances us from our spending.
- Only spend paper money. At the end of each day, put all of your change into a jar. After a month, you'll have between \$30 and \$50 in your jar.

- Commit to saving \$5 each workday. The incentive to pare a little money out of each day's spending is that you can look forward to living on your normal budget over the weekend. If you're married, each person only has to carve \$2.50 out of his or her daily routine to find \$100 extra each month.
- Drinking water when eating out is estimated to save 20 percent off the total bill.
- If you are paying for a storage building, go through those items and sell what you no longer need. Then, do the same at home. You'll make money off of the items you don't use, and you'll save on the cost of storage.
- Never make a late payment. The average credit card holder has seven credit cards. Late fees are in the \$40 range. Paying late on each card once each year means you've thrown almost \$300 out the window needlessly.
- Eliminate all unnecessary banking expenses. Look for a free checking and sign up for free online bill paying. Never use an ATM that charges you. This can be accomplished by banking with an institution with many branches in areas near where you live or work.
- Review your cell phone plan to make sure it fits your calling pattern, and that you aren't paying for features you don't use. If you have a run-away cell phone bill each month, control your spending by purchasing only prepaid cell phone plans.
- Consider doing away with your land phone. At the very least, review your long distance plan. If you also have a cell phone with national long distance, you may be duplicating the need.
- Research bundling of services such as land phone, cell phone, cable TV, and Internet. The company benefits by having all of your business, and you benefit through the savings they pass on to you.
- Cut back on your cable package. Even the most basic packages have plenty of channels to watch.

Family Foundations stands ready to help. To reach us, call (904) 396-4846 or go online to www.familyfoundations.org.

About Family Foundations

You don't have to solve your financial problems alone. Family Foundations has trained and certified credit counselors who offer financial management and debt reduction services. Family Foundations is a nonprofit, community-based organization and a Member of the National Foundations for Credit Counseling (NFCC). For more information on Family Foundations, call (904) 396-4846 or visit www.familyfoundations.org.