

May 11, 2006

Dear Investor,

Most of us are familiar with the expression, "Don't make a mountain out of a molehill." It's a cliché often used to counter exaggeration - in other words, "don't make a major issue out of a minor one." That's probably sound advice to follow when we're dealing with life's inevitable challenges, but when it comes to the process of creating wealth, the exact opposite applies.

The majority of Americans aren't born into a mountain of great wealth. It's much more common to start with a molehill and work your way up. Whether you reach the higher peaks often depends on the amount of prudence and tenacity you exhibit along the way - proving there is method to the madness of making a mountain of wealth out of a molehill of earnings.

After graduating from college some 24 years ago, I made my first investment in a few shares of American Express and Sears stock. Over time I began reinvesting the dividends and adding additional cash. I have since sold the Sears stock, but still own my original American Express stock (and more) to this day. Yep. I held on to it for 24 years and counting. My initial investment (small at the time) has grown to a sizable chunk of shares.

Another thing I did was start a savings program. Shortly after going on active-duty in the United States Air Force I signed up to have a monthly allotment deducted from my paychecks and invested regularly. I knew the automatic deductions would prevent any temptation to spend the money. Every time I got a raise or a promotion, I increased the allotment. What started as a \$50 investment grew to \$100 then \$200 monthly - and my savings began to add up over time. That created a lasting habit. I'm no longer in the Air Force, but I still divert monthly allotments to a 401(k) and other investment vehicles.

A recent Los Angeles Times article cited that your chance of getting rich is about 20 times greater if you're born into an affluent household versus a low-income family. However, most Americans still believe it's possible to start out poor, work hard and become wealthy. I'm among the believers.

Starting early and saving consistently goes a long way toward increasing the odds of achieving financial freedom. But there are many other good strategies that, when combined, make wealth accumulation easier. Some simple principals to follow are:

- Spend less than you earn
- Pay yourself first
- Be patient
- Diversify your assets
- Don't use debt for frivolous things
- Don't try to keep up with the Joneses
- Invest systematically and unemotionally
- Start saving early
- Leave your money to grow
- Avoid get-rich-quick schemes
- Work hard to pay off your mortgage
- Invest in yourself (education, etc...)



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