5 STAGES OF MONEY

E-BOOK

BY CORI ARNOLD

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Thank you so much for your interest in this e-book.

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INTRODUCTION

The fundamentals of money date back hundreds of years.

1. Avoid debt.
2. Increase income.
3. Keep expenses low.
4. Save an emergency fund.
5. Invest a percentage of earnings.

These are simple steps to understand, yet so many people struggle with money.

PR News Wire stated 61% of Americans are living paycheck to paycheck. That is scary. One missed paycheck could throw these households off track big time.

Why is there such a divide here? Why are the fundamentals easy to understand, yet very few follow them?

There are a few reasons.

1. We are emotional beings.
2. We have access to credit and debt.
3. We spend too much time in default mode.
4. We may not have hope or confidence we can do it.

The goal of this e-book is to give you not only the knowledge, but also the desire to improve your money.

You can do this.

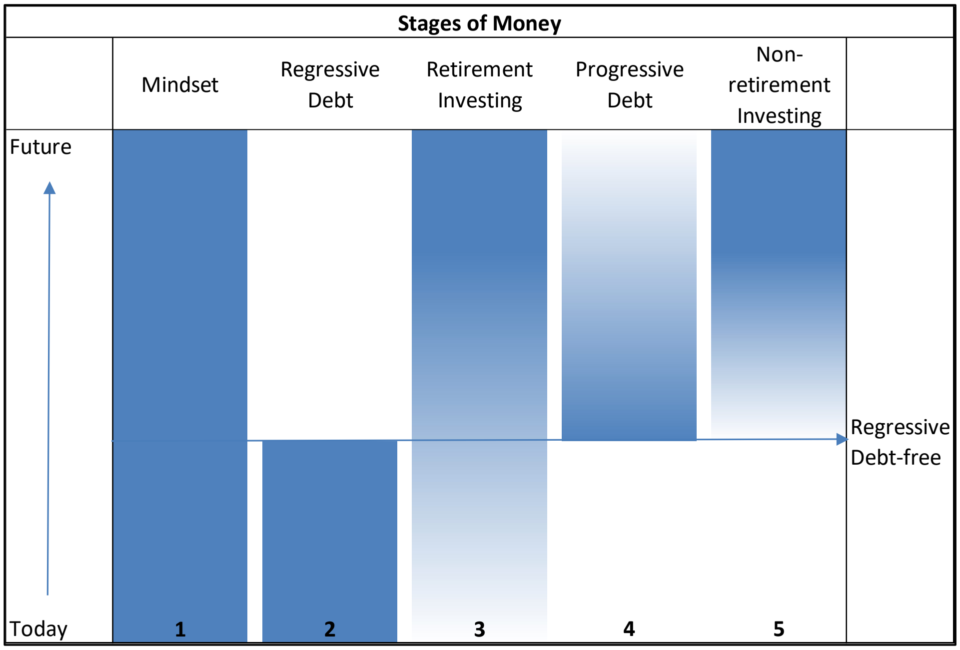
It doesn't matter what mistakes you've made in the past. You can overcome all of them.

Why am I so confident? Because I was in a similar position as you.

- I grew up poor.
- There weren't many opportunities where I lived.
- I found myself drowning in debt.
- My credit cards were maxed out.

To align your actions to your knowledge, you must master these five stages of money:

1. Mindset Stage
2. Regressive Debt Stage
3. Retirement Investing Stage
4. Progressive Debt Stage
5. Non-retirement Investing Stage



This table illustrates the five stages of money, their timing, and their intensity.

The darker color represents the higher focus on that stage at that point in time. For example, at the beginning of your journey, your primary focus should be on improving your mindset and eliminating your regressive debt. Those are the darkest stages toward the bottom of the table.

CHAPTER 1: MINDSET STAGE

Your mindset is made up of your beliefs, your thoughts, and your attitude. This combination creates your over-arching perspective of how you see the world. Your mindset has created certain rules and assumptions, which you see as facts.

We've all been conditioned with certain beliefs since childhood with regards to money.

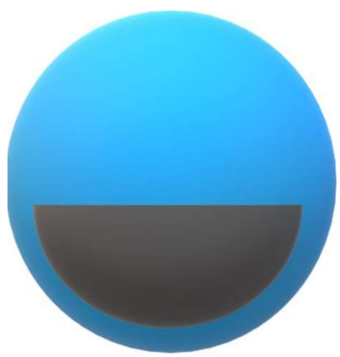
Some common misconceptions you may have heard are:

- Don't take too many risks; you'll get burned.
- You're going to work until you're eligible for Social Security.
- Investing in the stock market is gambling.
- Debt is normal. Everyone has it.
- YOLO (you only live once).

If you continue believing everything you've learned from the broke people in your life, then will you really be surprised if you end up broke too?

Your deep-rooted beliefs, those beliefs you've had for years and decades, have been ingrained so deeply in your mind that you perceive them as facts. A belief that sits in your mind gets stronger and stronger over time.

Imagine this circle below is your mind. The grey half-circle is your deep-rooted beliefs.



The longer you believe these beliefs, the more powerful they are in your life. An analogy I like to use is concrete. When you first pour fresh concrete, it's malleable. It's formless. Whatever form you build, it will mold into that shape. This is similar to a thought you haven't quite converted into a belief yet. A thought is malleable. It doesn't have much power over you. However, the longer you hold that thought in your mind, the more likely it will turn into a belief.

As concrete cures, it becomes solid – very solid. In 30 days, it will become completely cured. You won't be able to crack it unless you use a tool. Similarly, as beliefs grow stronger in your mind over time, they become solid. They become facts in your mind, not easily broken. You don't even question them any longer.

To break down these deep-rooted beliefs, it's time to start questioning them.

The only way to change your financial future is to open your mind. The Mindset Stage is dark for the entire journey, because your mindset continues to be molded as you meet new people, read more books, and have more experiences.

Keep your mind open, allowing new beliefs to be considered.

In some ways this Mindset stage is the most important stage. It may not have anything to do with numbers or accounts or balances, but without the right mindset, you won't be able to make any improvement in your money. You can take every financial action, but if your mindset isn't ready, then you'll never carry through with those actions.

It was only when my mindset shifted that I stopped spending frivolously. I needed my mindset to change for my behavior to change.

Your mindset is the foundation.

SCARCITY VERSUS ABUNDANCE MINDSET

There are two mindsets when it comes to having enough: scarcity and abundance. Those with the scarcity mindset think our resources are limited. There is only so much to go around, and they will never have enough. They think the pie is the total. If someone else gets a bigger piece, then there will be less available to everyone else.

They also believe they will never be good enough, they will never have enough, they aren't smart enough, they don't look good enough, and they never have enough time.

Zig Ziglar said, "lack of direction, not lack of time, is the problem. We all have twenty-four-hour days."

When I first heard this quote, it hit me. We do all have the same amount of time each day. It's up to us to choose how we spend it. Are we focused on our goals, or do we let time fly by without awareness? Do we jump from idea to idea sporadically, or do we make the decision to go in one direction with full commitment?

As you can imagine, scarcity thinking drives negativity and limiting thoughts. People who have this mindset have no hope of change, and no hope of a positive outcome. They are so deeply rooted in their limits they don't even try to improve their conditions. They know in their minds their lives are the best they are going to be right now. There is no getting past this negative cycle – until they decide to change.

Scarcity influences your engagement. When you feel less-than, you are less likely to take risks. You are more likely to stay in your comfort zone because this is where you feel best. You won't take a chance for an opportunity when that requires you to be uncomfortable. You won't apply for the job that pays more. You'll stay stuck where you are.

The opposite of the scarcity mindset is the abundance mindset. The abundance thinkers know there is enough for everyone. When they see their brother's income increase dramatically, they don't think, 'shoot, he got a bigger piece of the pie.' Instead, they think, 'awesome for him. If he can do it, I can do it.'

The number of resources isn't limited. It's not reduced to a pie-shape with everyone getting a percentage. Have you seen the trends in gross domestic product (GDP)? Gross domestic product is a statistic that represents the total value of goods and services produced in a country each year. If you search in Google, "US GDP chart", you'll find a bunch of websites that show a chart with an increasing trendline. This country and many others produce more and more every single year. There isn't a limit to the wealth that can be created. It's not a pie-shaped limit; it's infinity. If your friends find ways to earn more money, it doesn't mean you get less. Your friends' higher income might lead to your higher income if they give you advice on how they did it.

The abundance mindset is the only way to live. It's the only way you can achieve your goals. Be happy when your brother or your friends earn more. That means you can earn more too. Stop wasting your time believing you aren't good enough. Every single person on this planet contributes a different skill set and brings new ideas. The fact that you are alive is an achievement. You were chosen to be born and to have this life. Life is a gift for every one of us. Know that you are enough. You might need to develop skills to get the job you want, but that doesn't mean you're less than; it only means you need training or education.

CREATE A VISION

I have a friend who got in trouble in high school. She was hanging out with the wrong crowd and drinking and smoking the wrong things. She was naturally a rebel, not wanting to listen to authority. It got so bad she had to take summer classes to graduate. And then, with her low GPA she couldn't get into any of the colleges she wanted, so she went to a local junior college for a couple semesters to prove that she could excel. After this, she was accepted into a great university and graduated with the rest of her class. She found a job in her field and went to work. She not only worked, but also went to school at night to get her MBA. She is now financially independent.

What turned her around? What took her from the rebellious high school student barely graduating to a financially independent adult? As she rebelled, she was aware of how those around her lived. She was aware that if she continued acting in this way, this would be her future. This awareness was her turning point. This awareness established what she didn't want her future to look like and allowed her to create a vision of what she wanted her future to look like. As this vision became clearer, her desire to change became stronger.

Take a few minutes to think about your vision. What is it you want your life to look like in 10, 20, or 30 years?

If you were 50 years old, what does your ideal life look like? Who is in your life? Do you work for someone else or have your own business? Are you physically fit? Do you have joy in your life? Are you financially free?

Financial freedom is likely in everyone's vision. It's natural to want to be free from having to do anything, free from working for a company, and free to spend your time exactly how you want.

Financial freedom is possible for everyone. You may be thinking, no way this doesn't happen in my world, but I'm telling you it's possible. It takes action, effort, and work. I'm not saying it's going to be easy, because it won't be easy.

When you have a vision of what you want, you're more willing to wake up like my friend did and turn your life around.

BUILD YOUR BOUNDARIES

You may have gotten into this debt on your own, but it's likely your family or friends had a part in it. You wanted to go on a trip with people you love, so you charged it, or you wanted a new outfit for that concert, and you charged it. I'm not saying you should blame anyone for your debt. You've got to own up to your choices.

My point is we are all influenced by the people around us. It's easy to ignore our own goals and jump into someone else's life. It's easy to prioritize time with friends and family over work. Of course, we would rather spend our time with the people we love than at a job we might not like. It's more fun to go out with our friends than it is to get a part-time job in the evenings.

When you decide you're serious about getting out of debt, it's not only going to impact you, but it's going to impact those around you.

Your social time with friends might be to shop together, eat out together or get manicures, but some of those items will be sacrificed to progress to your ultimate vision. Your friends probably won't understand. They may take it personally you no longer want to spend as much time with them when that's not true. Your debt-free mission has just become priority over spending frivolously.

You're going to get criticized. You may lose some friends over it. It's okay though. You're doing this for you and your family, not for anyone else.

Create boundaries for yourself around your spending, your time, and your energy. You've got to prioritize your spending and your time. If you're working more hours to make more income, you're going to have less time to socialize. Prioritize who is most important in your life and who gets those hours you have left to give. Prioritize what is most important to you and only spend money on those things.

These boundaries are for your benefit. Now that you know your vision, you've got to protect it by creating boundaries around your time and energy. This journey isn't for the faint of heart. Having a strong 'why' is your key to sticking with this.

This journey is going to create tough choices for you – choices that might make you sad. Relationships will end, but what you get out of it is so much better. You'll be stronger, you'll have a deep understanding of your boundaries, you'll know who your real allies are, and you'll be financially so much better.

CHAPTER 2: REGRESSIVE DEBT STAGE

As you've witnessed, your mindset is the foundation. When you've built the right foundation, you're ready for the next priority, your regressive debt.

You may not see anything wrong with debt. Most people see debt as a necessary tool to get by. We have normalized debt in our society.

We are bombarded with advertisements for debt daily. Debt is so normal that people who are debt-free are the weird ones. Think about that for a minute. Debt-free people are considered weird. But consider this. We all want financial freedom. We all want enough money to free us from the constraints of our jobs. When you picture yourself becoming financially free, do you still see yourself making monthly payments toward debt? I don't think so. I bet you visualize a beach, family, friends, a nice house, or a nice car. You visualize freedom, not someone paying their monthly payments.

None of us want to be controlled by anyone. We want to have the freedom to live our life the way we want to live it.

We don't want anyone controlling our time, our money, or our beliefs. We are independent and can think for ourselves, right? If that's so true, why are you letting lenders control your life? With debt, you are obligated to pay it back. Earning money generally means working at a job. You'll never be truly free with debt.

With debt, you won't make the same decisions you would without debt. If you have debt, you're likely living paycheck to paycheck or very close to it. With that pressure on each paycheck, do you ever consider changing jobs? You may look at other opportunities within your field, but if you're like most people, you won't take a risk on your job because you need this job. You need your paycheck to keep paying your bills. Many people are not happy in their jobs, but with debt they are more likely to feel stuck in their jobs.

Getting out of debt means you're getting control over your money. You're taking more control over your life. You'll be able to take more risks. You can try a new job or even a new career. You get more freedom.

Once you've opened your mind to this new way of thinking, your focus is now on paying off your regressive debt.

By regressive debt, I'm referring to any debt that is borrowed to purchase something with little resale value or something that depreciates. This could be a car, boat, motorcycle, camper, clothes, furniture, dinners out, diapers, jewelry, make-up, etc. The moment you purchase any of these items, their value declines. This is regressive debt. It takes you backwards.

When you purchase these things, you are not only losing the value of the stuff (the price you paid for it), but also you are paying interest on the debt for that stuff. You're getting hit twice with costs. Regressive debt comes in the form of credit cards, vehicle loans, store financing, payday loans, personal loans, and student loans.

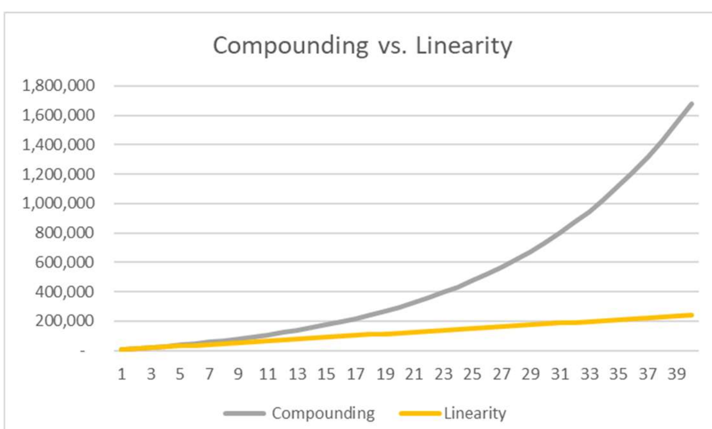
Yes, student loans are a form of regressive debt. I fully recommend investing in yourself and getting an education. Investing in yourself has the highest potential return of all investments. If we all continued to improve ourselves, what a different world this would be. However, taking out tons of student loans isn't the answer. There are alternative ways to get a higher education.   Gaining scholarships, attending cheaper schools, and working while you're in school are just a few ideas.

The more student loans you accumulate, the more years you are locking yourself into a job that eats at your time, your life, and potentially your joy. Education should be liberating, not imprisoning. When you take out student loans, you are creating a metaphoric prison where you'll need to earn that much more to pay off that debt.

The Regressive Debt stage is solid blue to represent that when you have regressive debt, your primary focus is to pay it off. The Regressive Debt stage is short compared to the other stages. You have a whole lifetime in front of you, and regressive debt will not be part of your journey for long.

COMPOUNDING… THE 8TH WONDER OF THE WORLD

When compounding takes effect on your money, get ready. You are in for a ride. Compounding occurs when you start earning a return, not only on the money you invested, but also on the prior years' returns. Look at this chart below.



This chart is an example of compounding versus linearity. In both accounts, you are contributing $500 a month or $6K a year. If you're depositing this into a checking account that makes no interest or putting it under your mattress, the orange line will be the result. At the end of 40 years, you would have $240K. If you took the same $500 every month and contributed it to an account that averaged an 8% return, then you would end up with almost $1.6M, eight times the amount of the orange line. You can see the first few years don't make much difference between putting the $500 under your mattress or into an investment account, but as time passes and compounding takes effect, the results speak for themselves.

The power of compounding is amazing. Now, the question you should be asking yourself is, how do I take advantage of this in my life? That's the right question. How do you get in a position to make compounding work for you?

The first step is to get out of regressive debt. When you're in debt, you're paying interest on the outstanding balance you owe. That interest is working against you, very similar to the compounding example above. It's taking your money at a higher rate than if you were just paying the principal balance back with no interest. The problem is that you are on the wrong side of the equation.

Instead of reaping the rewards of compounding, you are paying the price of compounding. The lender is winning this game.

This is how it works against you. Let's say you have a credit card that charges 18% interest, and you have an outstanding balance of $5K. If your minimum payment is 5% of your balance, and you pay the minimum payment every month, it will take you 14 years to pay this off, and you'll pay over $2K in interest. That means that whatever you bought to create that $5K balance is now costing you $7K.

Would you have been willing to pay 40% more for those items?

That's, in essence, what you've done. You've paid $7K for those items instead of the price tag of $5K because of the interest. Compounding is not your friend if you have regressive debt.

If you want to win with money, you must pay off your regressive debt.

ELIMINATE UNNECESSARY EXPENSES

Eliminating unnecessary expenses doesn't mean sacrificing everything. It means prioritizing.

You have different desires when it comes to your spending – true needs, high-priority wants, and low-priority wants. Your true needs include the basics to survive – rent, utilities, transportation, and food. High priority wants could be restaurants you like, movie subscriptions you really enjoy, or boat expenses for your weekend excursions. They are anything you feel strongly about. Low priority spending could be that gym membership you only use once a month, clothes you keep buying but never wear, or furniture you don't need.

Take a good look at your prior month of credit card and checking account transactions to see exactly what you spent your money on. When you take the time to categorize all your past spending, you are in for a surprise. You might realize you are spending a lot on low priorities and maybe not so much on things you thought were high priorities. By tracking every dollar, you will get more insight into your own behaviors. Maybe you think you're just a social drinker, but you're spending $250 a month on alcohol.

My brother is on top of his spending. A couple years ago he sent me a spreadsheet that listed his major spending categories for the year. He had literally tracked every penny he spent that year. It was amazing. He didn't use a fancy app or website; he manually tracked it. He said this gave him so much insight into his spending. He used this information to create spending goals for the following year, cutting in some areas and being more generous in others.

After you see what you're spending on, you become more aware of the unnecessary expenses and can take action. For example, are your children getting new toys every time you go to the grocery store, because it helps you get through your grocery shopping experience more peacefully? Maybe you're spending $200 on toys every month and didn't even realize it. The solution might be to go grocery shopping without your kids or to start saying no.

There are other fees that are completely unnecessary. Do you have auto-withdrawals for memberships you no longer use? It's time to cancel those. Do you have unexplained cash withdraws from the ATM where you have no idea what happened to that cash? Time to stop that.

Look at how many overdraft fees and late fees you are paying. These are unnecessary expenses that add up quickly and take away your hard-earned cash.

Fees, although each one might seem small, add up fast. Paying fees is literally throwing away your money. You worked hard for this money, respect it, and don't throw it away.

IT'S TIME TO GET FOCUSED

When you focus on one area and have tunnel vision within that area, the results are compounded and achieved much faster than spreading out your energy into too many areas.

Tunnel vision is critical in paying off your regressive debt. Tunnel vision is laser focus on your goal. I was reminded of tunnel vision the other day when I went to the grocery store. I didn't have much time but needed two items from this large store. Luckily, I knew exactly where these items were. As I walked in the direction of these items, I realized how easily it could be to get distracted. There are so many things on display that my mind wanted to stop and look at. I think this happens to many of us. We set a goal, and then instead of focusing on it, we get distracted with life, work, family, and lose any tunnel vision we may have had. Tunnel vision on your ultimate desire is key.

It's very similar with regressive debt.

You need to have tunnel vision on this debt. Make it your priority to pay it off.

The longer you keep it around, the more interest you will pay and the more time it will take to make progress on your money.

Focus on a goal also creates more thoughts around this goal. Have you ever noticed when your thoughts are dominated by a problem that the solution comes to you later, maybe in the shower or before you go to bed? When your thoughts are dominated by one topic, that topic saturates your mind. Your mind goes to work without you even realizing it. Your mind is working behind the scenes, creating ideas and solutions to your thoughts. As your thoughts start to become dominated by your debt-free journey, you will track your expenses, track your debt pay-off, and create goals.

CHAPTER 3: RETIREMENT INVESTING STAGE

Shifting your mindset is the foundation, eliminating your regressive debt is your focus until it's gone, and investing for your retirement can happen in the background. It doesn't require much focus. You are going to set it up once and not think about it much more until your regressive debt is gone.

Investing toward your retirement early is the best way to capture the power of compounding. Recall the compounding charts, time is the key element to compounding. The earlier you start investing in your retirement, the more time is on your side.

Take this example. One person starts investing $250 a month at age 30 while the other person starts investing the same amount at age 40. Let's assume they each average an 8% return until they are 65 years old.

The first person contributes a total of $105K, and her balance is $558K at age 65.

The second person contributes a total of $75K, and her balance is $237K at age 65.

If the second person wanted the same balance at age 65 as the first person, she would have to contribute $590 each month and would contribute a total of $177K over the 25 years. At age 65 she would also have $558K in her account.

Do you see how important time is for compounding? If the second person wanted to catch up, she would contribute more than double the monthly payments of the first person ($250 vs $590), even though she is only missing 10 years of the total 35 years of investing.

I contributed 10% while I still had regressive debt. This allowed me to accumulate almost $119K in my retirement account when I became debt-free.

When I finally did pay off my regressive debt, I wasn't starting from scratch. I already had a six-figure retirement account. Believe me, that felt good.

You'll notice the Retirement Investing stage gets darker as you pay off your regressive debt. This represents a swapping of your focus from regressive debt to retirement investing. When my last debt was paid off, I immediately increased my 401k contribution to 22%. Because I no longer had monthly debt payments, I had the extra money to invest more.

WHAT DOES IT REALLY MEAN TO RETIRE?

I remember over a decade ago sitting in my boss' office reminiscing about how we both wanted to retire early. I was in my late twenties at the time. When we talked about it, my mind always equated retirement with no stress and no work. This was so fun to do. Visualizing the work-free, stress-free life was great.

However, as I was fantasizing, I was drowning in debt. Who was I to believe that I could retire early?

Then, a few years ago as I surpassed many of my net worth goals, I started thinking more seriously about how to retire early. Instead of seeing a high-level vision, I was doing calculations and thinking through more details.

As I get older, I have a new vision of retirement. I still see freedom, but I understand that traveling and other desires come with a cost.

I also realize that retirement still comes with stress. Life brings stress whether you are working, or you aren't. You won't have a job to worry about, but you will still have relationships and extracurricular activities.

Retirement doesn't equate to happiness either. Happiness doesn't come to us at a point in time or through a big accomplishment.

If you think your retirement is the event that triggers your happiness, you are going to be very disappointed. You've got to find your inner happiness today. Don't pin it on a certain date or activity. Yes, it's exciting to have the ability to retire, but that excitement doesn't last. True inner happiness does.

No matter where you are financially or how old you are, take a few moments to fantasize about your retirement. The more detailed you get, the more value you'll get from this exercise.

RETIREMENT DOESN'T MEAN RELAXATION 24/7

There are a few things to consider when you do retire. First, if your life becomes 24/7 relaxation, you're going to lose your purpose. The first few weeks will likely feel amazing. You don't have to wake up to an alarm clock. Your time isn't dictated by your job. You can do whatever you want whenever you want.

However, after a month or so, if you haven't found hobbies or purpose in other areas, this new freedom is going to take its toll. You may find that you start watching five hours of television a day. You stop socializing. You sleep much more than you ever used to. All the people around you still go to work, leaving you on your own all the time.

Jobs provide a social structure for us.

We may not love the people we work with, but they are people, and those relationships are good for us. Someone I know who is currently retired told me the thing he misses most about working is the relationships. You know this is true. How many times has someone left a company and you intended to stay in touch with them, but you didn't really stay in touch? It happens all the time. When you retire, much of your social network goes away with it.

Jobs provide time structure in our lives too.

You may not like to get up early, but you live on a schedule primarily dictated by your job. Many of us don't like the hours we work, but that's part of our jobs. When you don't have to work 8-12 hours a day, what will you do with your time? If you say, I'm going to start exercising, but you currently don't exercise at all, then I'm sorry to inform you, but you likely won't start exercising just because you have more time. You've got to build the habits today while you're working to maintain them in retirement.

Jobs provide purpose and a sense of fulfillment.

Although we may not realize it, our jobs give us purpose. Most of us want our companies to succeed. We want to perform well in our jobs. Our jobs contribute to the overall success of the greater mission of the company. I know you don't feel like this every day, nor do I, but deep down we have a need to contribute. We need a purpose. We need to feel satisfaction in our work. Knowing that you are contributing to help your customers feels good. When you no longer have a job, where will your purpose come from? How will you feel fulfilled?

Many of us have taken for granted these feelings. We don't consciously see our job taking care of these feelings, but in many cases, when you stop working, if you haven't consciously looked inside yourself to understand your true purpose and what makes you fulfilled, retirement is going to be difficult.

PROVE YOU CAN HANDLE A LITTLE

Learning to manage what you have, even if it's just a little, is the way to grow your money. You might be thinking you'll be just fine when you get your windfall, but it doesn't work that way. You've got to show that you can manage what you have today well. When you can manage a little well, only then are you ready to accumulate a lot.

When people inherit too much before they understand how to keep it, they blow through it quickly, being left with nothing. Take the example of lottery winners. Most lottery winners end up broke. They continue behaving in the same way they did prior to winning. They spend what they have, and more. In many cases, they end up in a worse position than they were in before winning. The money came too fast. They didn't have time to learn how to manage their money and how to save and invest their money. Again, money comes down to behavior.

Start with a little money and grow it slowly. You'll have time to learn and make smaller mistakes which is much better than making larger mistakes with larger sums.

Don't keep believing your habits will change when you have more money. It's very similar to retirement. You might think you will exercise more when you have more time, but if you can't make time for exercising today, you won't exercise when you're retired. If you can't keep money in your checking account today, then you won't be able to when you make more money. Your habits don't change with external circumstances. Your habits only change when you make the effort to change them.

My neighbor's barn burnt down a few years ago. It was devastating for that family. They lost a few horses in the fire. They ended up getting a large sum from the insurance company, nearly $100K. Now, they could have done many things with this money. They had roughly $100K balance left on their mortgage. They had car loans and credit card balances. Had I been in their shoes, I think I would have paid off the existing debt, but instead, they decided to rebuild the barn. Instead of just replacing the old barn, they upgraded. This new barn is bigger and has the most modern horse stalls. They also bought a new truck and have a loan on the truck. They no longer have any of this insurance money, and they still have a mortgage on their property.

Last summer I heard them arguing, and I heard the words, "I can't afford it," come out of their mouths. They had so much money for a short period of time, but their behaviors didn't change, and today they are in a worse position than they were prior to receiving the $100K. It just amazes me how people repetitively make bad decisions with their money, and they can't see it.

If you don't take action today to improve your money habits and behaviors, no amount of money will help you. I want to explain this to my neighbors so badly. I see them make mistake after mistake. How can they not see it themselves?

This is why it's good to start small and grow your money slowly with your mindset. Accepting that you don't have much at the beginning is good. The sooner you understand how to manage a few dollars, the sooner you will receive more. If you don't take the time to learn how to manage what you've got because you think a small amount doesn't matter, then you will never win with money.

CHAPTER 4: PROGRESSIVE DEBT STAGE

Progressive debt is debt used to purchase appreciating assets. Recall, regressive debt takes you backwards. Regressive debt is borrowed on depreciating assets or things with very little resale value. Regressive debt literally creates a negative net worth for you.

Progressive debt, on the other hand, can take you forward. I can't go as far as saying this type of debt is good, but I can say this is the best form of debt. This debt is borrowed against assets that theoretically will be worth more in the future which partially offset the risk you are taking.

The best example is your first house. Depending on where you live, the price of real estate may restrict you from owning if you need to save up the entire purchase price. Instead of saving up 100% of the purchase price, you'll likely save between 5-20%. Because real estate prices have historically grown, your equity in the property should increase not only by the amount of debt you pay off each year, but also on the appreciation.

The progressive debt stage shouldn't start until you've completed paying off your regressive debt. This is tough for many people. Many of us, including me, jumped into a real estate purchase while we still had credit card, student loan, or vehicle debt. I was very lucky that my fixer-upper purchase didn't sink me financially, but I was in no position to buy a house at that time. With the renovation costs, I maxed out my credit cards. Luckily for me, the fixer upper was only priced at $50K. I invested another $35K to renovate it. This was in 2012 when the real estate market was just coming back.

Patience is hard, but it's smart. It's hard to wait for what you want. I totally understand, but in the long run, waiting and being smart about your investments will take you so much further than rushing into a purchase.

APPRECIATING ASSETS MAKE YOU WEALTHY

An asset is something that has value. My accounting professor defined an asset as something that brings you cash in the future.

Not all assets are created equal though. Some assets naturally appreciate over time and some naturally depreciate over time.

You're not going to like this, but cash is even a depreciating asset. If you sit on cash long enough, the value of that cash dwindles. Inflation is the price increase we experience constantly. Because of inflation, we can't buy what we once could with the same amount of cash.

Appreciating assets are the assets you want to accumulate. Real estate, land, stocks, and index funds are examples of popular appreciating assets. You are an appreciating asset yourself. How much cash you do bring in? Your mind, perspective, education, confidence, and skills determine how much cash you personally can earn. The more you invest in yourself, the more return in cash you will experience.

On the other side of the equation are liabilities. My accounting professor defined liabilities as future cash outflows.

No one wants liabilities. Debt is a liability. Think about it. If you have a car loan, you're getting burdened twice: 1. by the depreciating value of the car, and 2. by the interest you're paying on the loan.

If your goal is to become financially free, it's time to start putting most of your money into appreciating assets and stop wasting your money on liabilities.

The key to becoming a millionaire is to not only earn money, but also to grow your money. Don't let it fall through your fingertips like you did in the past. Use tools that help you see where your money is going. Create a net worth tracker where you can see the changes each month. I see each month how much my net worth changes based on market changes and my behaviors in the prior month. It reinforces which behaviors are working and which aren't.

PLAY THE LONG-TERM GAME

Many assets aren't liquid. Think about real estate.

Let's take a quick example. If you bought a property for $200K and six months later, it is worth $250K, that sounds like an amazing appreciation in a short period of time. However, when you take 9% of the $250K sales price, that's $22.5K in closing cost and fees. This means you aren't left with $50K profit, you are only left with $27.5K profit.

When you hold onto real estate for the long-term, you'll make so much more money. It's the long-term appreciation that makes people wealthy. In a few years, this house might double in price. That would be a great return.

Real estate can be very lucrative. I personally love real estate. The current market is crazy though. You almost can't find a deal today. Just about every property is selling at a premium right now. Before you purchase a property, do your research. Learn about the commissions and closing costs.

Stocks and stock-related investments are generally very liquid. You can buy and sell in the same day if you wanted to. There are a few problems with this strategy though.

First, you can't time the stock market. Believe me, I have tried. I've gotten lucky a few times, but I'm not consistent. You won't be either. The best stock investors advise to invest in the long-term. The stock market has an excellent track record over the long-term. If you leave your money in index funds for over 5 years, you are almost guaranteed to make money.

Second, if you buy and sell stocks within one year, you will pay ordinary income tax on your gains. Your ordinary income tax percentage is always higher than your capital gains percentage. If you hold onto your stock investments for at least a year, you will pay lower taxes on your gains.

Have a long-term mindset going into any investments. You will make better decisions and won't be rushed by impulses.

YOUR FULL-TIME SALARY IS VITAL

When I first started this journey, paying off my debt and growing in my company were my two biggest goals. Many articles online say that millionaires have a side-hustle, which is true. Finding extra income is awesome, especially if it's passive income. However, depending on what phase of life you're in, don't discount your full-time salary. Your full-time salary provides you stability to get financially fit. Keep your full-time role a priority, no matter what goals you have outside of it. If you keep it a priority and continue growing your contribution to your company, your salary will grow. My salary grew greatly through the ten years of my debt-free journey.

I focused on strengthening my professional relationships, becoming an expert in certain areas, and buying-into the real mission of my company. Although my long-term goal is to retire early, I want to maximize my time with my company. I don't discount anything they've done for me as I wouldn't be where I am today without them. If your full-time job isn't your passion, that's okay. You know you aren't alone. Keep working hard with your vision in mind.

Go the extra mile and watch as it is paid back to you over time.

If you feel like you've gone the extra mile for your company and haven't received much in return, it might be time to look for another company. All companies aren't built equal, and my experience might not be yours. I realized early on that one of the companies I worked for would never pay me what I'm worth, and I simply left. I wasn't mad. I wasn't staying there either though.

Let's face it, most of us are working in roles that are not our dream jobs. I'm included. I really like my company. I do my job well. I learn the latest tools, and I continue improving the efficiency of my team. I enjoy a lot about my job. However, it's not my dream. I have a different calling. This doesn't mean I quit my full-time job and go after my calling 100%. I still have bills to pay, and my calling is going to take time before it's profitable. I'm investing money today in myself to create the foundation for my next steps. The only way I am funding this is because I am debt free, and I have the stability of my full-time paycheck.

Your full-time job is the key to investing in retirement and paying off your regressive debt. Don't discount your job in any way. Instead, make the most of it and take advantage of it.

CHAPTER 5: NON-RETIREMENT INVESTING STAGE

To recap, once you've paid off your regressive debt, it's time to bump up your retirement contributions. Between 15-22% is a great range. Because you no longer have payments, you'll be able to keep more of your income every month. Some will be allocated to retirement, and some will be allocated to non-retirement assets.

There are many options when it comes to non-retirement assets.

That's the beauty of being regressive debt-free; you have options. You can save up for future purchases and you can invest.

Like I mentioned in the last section, when you have no payments, cash accumulates faster in your checking account. The question is, what do you do with this cash?

We'll take a deep dive into the most popular appreciating assets in this section. The direction you go is based on your desired time, energy, and interest.

There are so many options when you start accumulating money. The key is to not rush. If you really don't know what you want to invest in, do what I did. Put it into a saving accounts until you really know. It's much better to miss out on one year of potential returns than to quickly invest it in something you'll regret later.

INVESTING IN THE STOCK MARKET

The first and most passive approach to accumulating appreciating assets is investing in the stock market. If this is your preferred approach, find a large discount brokerage, such as Fidelity, Schwab, Vanguard, or E-trade. There are many other discount brokers as well. Do some research online to see which company appeals to you. In most cases you can open an account online and transfer the money from your checking account. Within this account, you can buy various funds and stocks, including index funds, low-cost mutual funds, ETF's (Exchange Traded Funds), and single stocks.

Index funds come in the form of mutual funds and ETF's. They are a combination of many stocks brought together to mimic specific indexes, such as the S&P 500 or the Russell 2000, meaning they should grow roughly in line with that index.

Index funds are very popular in that Warren Buffett gave the advice to investors to stick with index funds.

Index funds are also very popular with the FIRE (Financially Independent Retire Early) movement. Holding an index fund in your investment portfolio creates diversity instantly. When you buy a fund that mimics an entire index like the S&P 500, diversity is built in.

Mutual funds include index funds, but not all mutual funds are index funds. Mutual funds can also target specific industries or companies. For example, there are mutual funds that only consist of technology companies or energy companies. There are mutual funds that only include growth companies. Mutual funds are professionally managed. The downside is that there is a fee associated with mutual funds because of this professional management. Make sure you look for low-cost mutual funds with historical good rates of return (usually above 10%). If you've opened your account with a large discount broker, you can go to their website and search for mutual funds to look at their historic return over the last 5, 10, and 20 years. Most brokerages show each mutual fund's ratings as well as the historical returns and the expense ratios. The lower the expense ratio, the less fees there are associated with the fund. Spend some time comparing the different funds. You'll learn a lot.

The other thing to know about mutual funds is when you sell them, you can't sell them until the end of the trading day. You can put in your sell request at any time while the market is open, but you won't know the price that you're selling it at until the close of that trading day. It took me a while to understand this, but it's generally not that big of a deal, especially if you don't plan to sell very often.

ETF's (exchange traded funds) are very similar to mutual funds in that they are baskets of stocks from multiple companies in the same industry or within similar phases of their life cycles. The primary difference with ETF's is that they aren't managed like mutual funds. They can be bought and sold at any time while the market is open. In other words, if you want to sell shares at 1pm, then you can sell them at 1pm. You will get an immediate confirmation instead of having to wait until the end of the trading day.

Any of the above choices are great options for consistently investing over time. Now that you have more cash at your disposal, maybe you decide that 5% of your income will go toward these accounts. If you are planning to retire early and are not sure where to start, contributing to an index fund is your best option. Based on history, the major indexes have grown over time. Yes, there have been some dips along the way, but look at the trends when you do your research. Their overwhelming trajectory is up.

In addition to these, you can also purchase single stocks. Just to warn you, this is riskier than buying index funds. One major upheaval within a company could tank your entire balance. If there are companies you see value in, and you're willing to stick it out for the long haul, then single stocks could be an option for you.

Many of these companies pay dividends, which is an appealing reason to own single stocks. To be eligible for the dividend, you must own the stock through certain dates, however. If you're interested in owning stocks for the dividend income, there are many well-known stocks that consistently pay out dividends every quarter. Research these on your discount brokerage website or talk to a financial advisor at the brokerage.

No matter which type of stock-related investing you go for, be in it for the long-term. Don't expect to jump in and out of it.

INVESTING IN REAL ESTATE

Real estate is another great option when it comes to non-retirement investing. If you think the stock market isn't for you, and you'd like to have more tangible assets, then real estate might be for you. Depending on the direction you go in real estate, you can gain appreciation in the value of the property, and you can collect rent from tenants.

Real estate is much more hands-on though. If you go the renting route, even if you hire a property manager, there are decisions you'll need to make. Lots of situations arise, such as a tenant isn't paying their rent on time, they cause damage, or they get hurt on the property. These will need proper attention.

If you go the flipping route, this is also hands-on. Yes, you can hire a general contractor, but you'll need to be onsite frequently to confirm the work is being done per your specifications.

If you decide flipping real estate is for you, build a skill at finding the deals. You can use foreclosure auctions, contacts at your local bank, wholesale contacts, or real estate contacts to find deals. Build relationships with all these people. They are closer to the supply and can point you in a good direction. Depending on how long you own the flip property, there may not be much organic appreciation in the value of the property, but your renovations should add a significant amount of appreciation to its value.

After you've renovated the property, you have two options. You can sell it immediately or you can rent it out. If you sell it immediately, you've just given yourself a windfall of cash on the sale. Having cash frees you up to do another flip or allows you to enjoy a well-deserved break. These are the pros of selling it immediately. The con is that depending on how you set up your flipping business, you'll likely need to pay your ordinary income tax rate on this profit.

The alternative is renting your flip after you've done the renovation. The pros to this are monthly passive income for as long as you rent the property and no immediate tax hit. If your primary business is renting, and you hold onto the property for at least one year, then you would be able to take advantage of the capital gains rate, which is lower than your ordinary income rate. The cons to renting are you don't get your initial cash investment or profit from the appreciation back immediately. You'll earn additional rents, but the big cash windfall won't be received until you sell the property. The other con is that tenants may tear up all the work you've put into this property. They likely won't treat it as well as someone who owns it.

Flipping creates many opportunities. You just need to have interest, be willing to invest your time, and come up with the strategy that works best for you.

If you want to skip the renovations completely, you can buy rental properties that are ready to be rented. Find properties in a decent area and stick to single family homes instead of duplexes and triplexes. You'll be able to sell the single-family homes quicker and at a higher premium than the other types of homes. Nicer areas draw better tenants. Remember this when looking for a rental property. If you purchase something in a rough neighborhood, you're more likely to get rough tenants.

INVESTING IN BUSINESSES

If you aren't attracted to real estate or stock investments, owning a business might be the appreciating asset for you.

There are many ways to own a business. You can start one from scratch. You can buy an existing business from someone else, or you can purchase a franchise where someone already has the template and brand for you. You could also buy into a business as a partial owner.

When it comes to businesses, the opportunities are endless. If you have a particular skill, it makes sense to go in that direction. For example, you may be an excellent carpenter, electrician, plumber, real estate agent, lawyer, accountant, dentist, marketer, writer, etc. Many of these occupations start their own businesses at some point in their careers. You might plan to be an owner-operator in the short-term, but have a long-term vision to build a team, giving you more freedom. The pros for this type of business are you understand this business very well because you've already developed the skills around this type of work, and it's your business; you own 100% of it. The cons are it's going to take work to get off the ground and time to create a solid customer base as well as a brand or reputation.

Franchising is another avenue within the business category. Have you ever searched for franchise opportunities? The number of different franchises is endless. The pros of a franchise are that it's a proven business with a brand, and someone has already created the template for you. The cons are you've got to abide by someone else's rules, and it costs money to purchase the rights to the franchise.

There are endless opportunities to allow your money to grow as you've seen in this chapter. They all have one thing in common though. They are risky. Therefore, it's vital you have no regressive debt, you're contributing to your retirement, and you have an emergency fund.

CONCLUSION: KEEP LEARNING

The funny thing about learning is that as we learn more, the more we realize we don't know.

As we open our minds to new perspectives, we see how many other perspectives there are. We understand topics from different angles, which gives us a lot more insight.

I read a lot of non-fiction books. In many cases, I understand the teachings, but the author puts a slight twist on the topic that makes me think differently about it. It's those slight twists that keep me learning. Those slivers of new insight can be the catalyst for an amazing idea.

Too many people go through life accepting the situations that come to them, accepting that where they are today is the furthest they will go. They have become accustomed to their job, their environment, and their habits, and they don't want to change. They've created a world that works for them with limits all around them, so they stop trying. They stop learning.

Don't be this person. Don't be the person that sets limits in your mind and lives by those limits. Set your sights higher. Know that your current situation is only temporary, and there is a big world out there with a million different perspectives and many million people. You have the power to create a new life if you keep learning and keep your eyes open.

If I had accepted my circumstances from childhood as my permanent way of life, I would have missed out on so much. I would be living paycheck to paycheck, most likely working at a job I didn't like and not making much money. Instead, I chose a different path. I'm the first millionaire in my family (that I know about).

You don't have to accept your current circumstances either. Find a way out. Take a risk. You might fail, but you will learn so much in the process. I took a risk. I moved across the country. I took out too much debt. I made a lot of mistakes. However, I never gave up. I never quit on the big picture.