

## Had Your Financial Check Up Lately?

Seems like there's always somebody telling us we should get a physical check-up every year or so, but how about a financial check-up? Ever had anybody call wanting to schedule you for a financial check-up". If not, and you haven't had your financial check-up lately, then it's time for one. Here's a simple little test to see if you pass, or if you need a prescription for what ails you. Let's suppose you finish school, play around for a couple of years, and at age 20, you settle down and get a "real job". Using the example below, plug in your numbers in place of the ones in the example. First, you need to figure what your present net worth is. (And no cheating, or puffing).

Example:

Present net worth \$100,000.

Present age 40

Subtract 20 (age you started working) 20

Answer 20

Divide the answer (20) into your present net worth (\$100,000), and we see in our example that you have accumulated an average of \$5,000 for each year that you've worked. Now, how do your figures rate? Are you satisfied with your answer? If not, what are you doing about it? Maybe now is a good time to ask yourself this question. "If I do the same things this year, as I did last year, where will I be next year"? If you don't like the answer, then it's time to make plans to improve your score. So what can you do to improve your financial health? Let's go over a couple of ideas that have worked very well for me.

Regardless what kind of job you have, how well you like your job, and how much that job pays, you need to have something producing income for you that doesn't require you to be there. You should have cash flow coming in if you're sleeping, fishing, on vacation, or too sick to work. If your only source of income is from your next pay-check, and you lose your job, how much cash flow will you have coming in? If you lost your job tomorrow, how long could you support your family on what you have now? These are serious questions you should ask yourself, and if you don't like the answers, start making plans now for your financial future. So, what to do? "Hire" some "employees" to work for you. And what's the best kind of employees you can have? DOLLARS!!!

I consider every dollar I invest another employee working for me. With proper management, each employee works 24 hours a day, 7 days a week. They never call in sick, they never go on strike and they never complain about working conditions. And my employees never have to worry about being "downsized" either. But if I get lazy, or don't do a good job of managing my employees, my income will decrease, and maybe even stop. So you need to develop good financial discipline, and good management skills in order to get the most from your "employees". Let me share a couple of my investments in order to give you a better understanding of what I mean.

Case #1. I paid \$17,000 for a mobile home lot, and the mobile home. (Just the lots alone in this park sell for \$17,000-\$20,000). I expect to sell the mobile home for \$6,000. Most likely the mobile home will be sold on terms with monthly payments for 2-3 years. So even though

my mobile home employees are "temporary employees", they will produce excellent cash flow. If I practice good financial discipline, I'll use the cash flow they produce and find them another job before their temporary job runs out.

If I sell the mobile home for \$6,000, that reduces the cost of the lot to \$11,000. The lot will rent for \$245.00 monthly, and net \$210.00. (And the rent will go up every year with very little, if any, additional cost, and without me having to be there) These 11,000 employees will be long term, cash producing workers. And if I'm a good manager, they won't ever get a day off. What a slave driver, huh? If I do nothing but bank the monthly cash flow, these 11,000 employees will provide a good yearly shot for my financial health. (Incidentally, we now have 25 lots just like this one, producing cash flow every month. And we don't have to show up at a job to get paid. Our employees are doing the work, and we get the money. (Use this concept and do the same thing for yourself).

Case #2. Just bought another mobile home for \$4,000, sold it for \$8,900, \$1,000 down, and a note for \$7,900, payable \$306.11 monthly for 30 months. So I have another 3,000 "employees" working for my financial health. (Just got the first check from this deal, and it made me feel warm all over. What a great bunch of employees).

This was another referral from the park manager. There was no sale sign posted, or any indication the home was for sale. If the manager hadn't called, I would probably never have known this home was for sale. I can't tell you how many deals this one manager has thrown my way over the years. And, I can't stress too much how important it is to build a good relationship with the park managers. You should think of the park manager as the goose that delivers the golden eggs.

Case #3. Different park, same scenario. Again, no sale signs posted and no way of knowing the home was for sale. The park manager not only referred this deal to me, but practically negotiated the \$2,500 purchase price with the seller. And then, convinced the seller to credit the security deposit he had on the lot, to me. The end result was that I paid \$2,500 for the home, and got the \$250 security deposit transferred to me, making my total purchase price \$2,250. The home was sold in 10 days for \$6,750, \$500 down and a note payable \$166.90 for 48 months. So I now have another 1,750 "employees" working for my financial health.

These three deals will produce somewhere around \$1,000 per month, and I don't even have to show up. Granted, the mobile home notes will pay out in a short time, but I'll have plenty of time before they pay out to create more deals and put more "employees" to work. If I worked a "job" how many hours would I have to work to earn \$1,000. Even if it was a job I liked, that job would be taking valuable time that I could be spending to create more cash producing deals like I've just described. And also, with a job, I might not be able to pass my yearly financial health exam.

I'll cover one more idea for you to consider which will greatly improve your financial position, especially when you reach retirement age. And this has to do with the power of compounding. If you don't fully understand the awesome effect of compounding, let me urge you to make every effort to learn and use that power. If you do, you will retire a rich person. If not, you have an excellent chance of winding up like the majority of the people that don't understand and use this power of compounding...POOR.

Note: My new book, *Taking The Mystery out Of Money*, has a chapter on the power of compounding of interest. And also a chapter on how to use a financial calculator. Let's do an example of a self directed IRA. Suppose you open an IRA at age 20, and you put \$2,000 into your IRA each year for the next 10 years. Let's also suppose that during this 10 years, your IRA earns 10% (I know you can learn to do much better, but let's see what just 10% will do). After 10 years, your IRA will be worth \$31,874, and you will be 30 years old. If you never put another dime in that IRA and just left it alone for the next 30 years, and it averaged earning 10% each year, you would have a nest egg of \$556,182 at age 60. So, to make it simple, if you invest \$31,874 today, and it earns 10% over the next 30 years, that \$31,874 has compounded to over a HALF MILLION BUCKS. Now, look at what it will be if you can make that same \$31,874 earn 12%, just 2% more. At the end of 30 years, your \$31,874 will compound to \$954,942, almost double. At 15%, it will be \$2,110,235. And if it's the new Roth IRA, you won't owe any taxes when you start spending your money when you retire. (Roth IRA contributions are made with after tax dollars).

Regardless of how you earn your money, you should invest at least \$2,000 per year in some type of retirement fund and forget it's there. That's only \$40 each week, so don't say you can't afford it. Face it, if you can't afford to invest \$40 per week now when you're healthy and working, in order to be rich when you retire, then you had better do all the things you want to do before you retire. You won't have any money to do anything after you retire. If you develop and practice good habits, have a good investment plan, and good financial discipline during your working years, you will never have to worry about failing your financial health exam. And the sooner you start, the better off you will be when you retire. Every month you wait will cost you many future dollars. Find your niche and get started NOW! The world is full of poor people that waited.

Best wishes for a great financial future,  
Lonnie Scruggs