Effortless English

True Wealth

"The definition of wealth is: 'The number of days you can survive, without physically working (or anyone else in your **household** working) and still maintain your standard of living.'

For example: If your monthly expenses are $1000 and if you have $3000 in savings, your wealth is approximately 3 months or 90 days. Wealth is measured in time, not dollars.

Ultimately it is not how much money you make that matters, but how much money and how long that money works for you. Every day I meet many people who make a lot of money, but all their money goes out to **expenses** and **liabilities**.

Every time they make a little more money, they go shopping. They often buy a bigger house or new car, which results in long-term debt and more hard work, and nothing is left to invest in **assets**.

Regardless of how much money people make, ultimately they should put some into investments. Investing is the process of money making more money... the idea that your money works so that you do not have to work."

--Robert Kiyosaki

I like the idea of measuring wealth in time, not dollars. The important point is not how much money you have-- but how much you enjoy your life.   I once lived in my van for 1 year. Most people thought I was poor. I felt wealthy.   I had a great amount of time and freedom. I worked very little. Yet I still enjoyed books, movies, music, and friends. I had a comfortable lifestyle that required very little work.

On the other hand, I have known many people who make a lot of money-- but they aren't wealthy. They must work long hours every week. They spend more than they earn. They have little freedom. They are tired and stressed.   They have many liabilities, and few assets.

Starting now, always think about wealth in terms of time.

How long could you maintain your standard of living without working? How could you increase that amount of time?

Do you regularly save and invest your money?   Do you **collect** assets or liabilities?

An asset is something that provides positive cash **flow**.   Your job is an asset-- it gives you money every month.   Good investments are assets-- they pay you money every month.   If you own a home and rent it to another person..   and if they pay more rent than your monthly loan payment.. then your rental home is an asset. Your business is an asset if it is **profitable**.

Liabilities are the opposite. They are things which cost you money every month. Your home is a liability if you pay a loan every month and don't earn money from renting it. Your car is a liability if you owe money on it and must pay a car payment every month. Your credit card is a liability if you must pay interest every month. All your loans are liabilities. Basically, liabilities are **recurring** expenses.

Assets are recurring income.

Simply-- you want to increase your assets while decreasing your liabilities. The first step is to save. Save money, then invest it in assets. Invest it in a business. Invest it in **stocks**. Invest it in a home that you rent to other people.

Meanwhile, eliminate your liabilities. **Pay off** your car, or sell it. Pay off your credit card. Pay off your house, or rent a room, or sell it. In other words, eliminate all debts which do not **generate** a profit.

This is the very simple formula for wealth, although it's not necessarily easy. It takes discipline to change your way of earning and spending. You must adopt a long-term perspective. You must do what most people do not do.

Never forget the goal of wealth-- the true goal of wealth is freedom: freedom to live your life exactly as you choose, freedom to do exactly as you want, when you want to do it.

You don't need to be a millionaire to be wealthy. You just need to **steadily** increase your assets, while steadily eliminating your liabilities.

Financial freedom is closer than you thought.