

## Office for Financial Success – Financial Tip of the Week

A service of the Personal Financial Planning Department  
College of Human Environmental Sciences  
University of Missouri-Columbia  
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### How to get rich in America

Recognize how lucky you are to be you. First, you're either an American or you are being educated in America, a country with 6% of the world's population and 35%-40% of world's wealth. In an absolute sense, what you already have at your disposal in terms of freedom and financial resources exceeds that of most of the rest of the world's population. Be grateful for this and return the favor by making a positive difference in our world.

Understand the power of compound interest. You probably won't get rich from your earnings – at least most people can't. Always pay yourself first, save your money, save religiously, save 10% of your first paycheck after graduation – every paycheck until you retire. You've heard this before, but it bears repeating. A 22 year-old, with a \$30,000 / year starting job, saves \$3,000 per year the first year. With 3% inflation in earnings/savings; a 5% rate of return above the rate of inflation, the saver would have \$479,100 in "real" dollars (adjusted for inflation) when they retired. (Or, \$1,811,764, as measured by the number of greenbacks/dollars.) If they wait until they are 32 to begin saving for retirement, their retirement funds would shrink to \$270,961 (real) or \$762,447 (nominal). This is huge.

Resist temptation for immediate gratification. We've talked of this often. Bad consumption decisions can cost you a fortune. Don't gamble. Don't let your ego be tied to what you own.

Take good care of your health. Exercise and eat well to lower your medical bills. This gives you greater income, leading to more savings, and on to greater wealth. Take a class in nutrition/fitness. Besides, you'll feel better!

Get a good education. You're doing that! Most of you are in college or have completed a college degree. Know how special you are, as only 24% of the US population has a bachelor's degree and 9% an advanced degree!!!

Consider the financial benefits of being married. Research shows that married people earn more and have greater wealth than single people. They should, as they often have two incomes and are likely to have two brains. Married people tend to be healthier, happier but remember to marry the right person, as divorce can undo the best laid financial plan.

Establish and maintain an emergency fund. Increase your insurance deductibles and maintain adequate insurance coverage in each of these areas: Health/Disability, Life, Property/ Casualty, Retirement Savings, and Liability.

Don't try to beat the market. Index funds work well. If you don't believe me, read the old book; *Winning the Loser's Game*, by Charles Ellis. If you'd like others to manage your money, at least understand your investments. When you are getting started, remember that small investors have small portfolios and that it is hard to be well diversified with a small portfolio. Once you're wealthy, you can take some of your money and make some riskier

individual investments.

Strive for a balanced life. Live a principled life that is full of integrity and responsibility. At the University of Missouri we have Four Values: Respect, Responsibility, Discovery, and Excellence. While these are pretty good cornerstones upon which to build your life, you've your own values. Remember the person you want to be and strive to be that person.

NOTE: This is the third of our new MU Financial Tips of the Week and was written by Rob Weagley, Ph.D., CFP™, Chair of the Personal Financial Planning Department, University of Missouri. He appreciates hearing from you about ideas for future "Tips". Importantly, feel free to forward our "Tips" to others and remind them that they can sign up to receive the tip by sending an email to [financialsuccess@missouri.edu](mailto:financialsuccess@missouri.edu) with "Subscribe" in the Subject Line. Thanks. – Rob Weagley

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