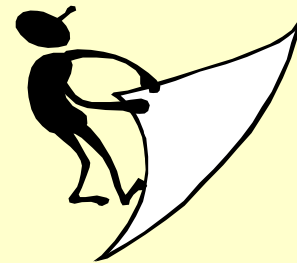


Chapter 2

Plugging the Holes

What are three wealth building principles?



- Always place yourself in the group that has every chance you get
- Always do more than what is expected of you
- Concentrate on the little things and the big things will take care of themselves

Which is easier- making money or keeping it?

Making money is the easy part - keeping it is the hard part



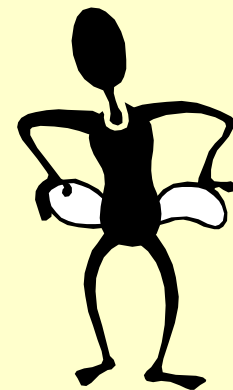
What is the first step in wealth building?

Pay yourself first



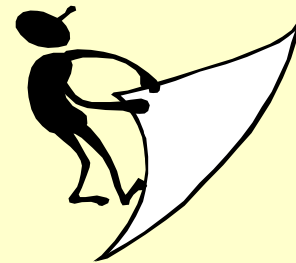
**I can hardly pay my bills
now, how can I save?**

Plug up the holes in your
financial pockets and use
this money to save



What are some basic tools?

You should have:



- A fire proof metal box for documents
- Pouches for bills owed, bills paid and tax records by year
- A calculator
- A spread sheet or a computerized financial program
- A computer
A desk

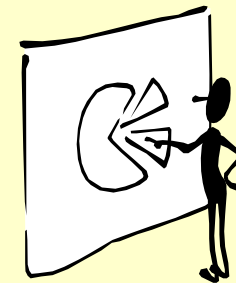
Why is budgeting important?

A budget will give you more control over your finances



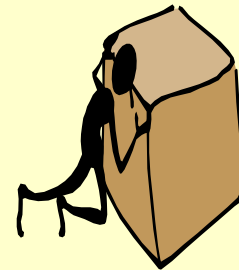
How do I budget?

Allocate a certain amount of money each month for each member of family for inevitable expenses



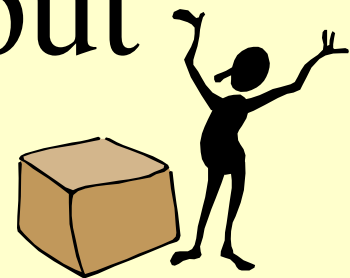
What happens when I do what is required?

As long as you do whatever is required of you, you must give multiple units to get credit for one



**Why should I always
do more than is
required of me?**

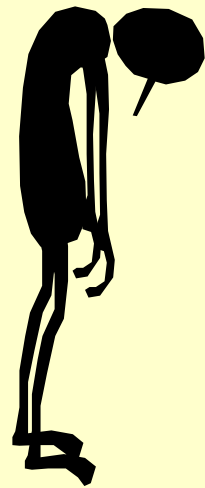
You will get credit for
multiple units of credit
for each unit of input



**What is an example
of this principle?**

Consider the \$100,000,
10%, 30 year
mortgage discussed in
the first chapter

**In the first year, for
each dollar borrowed
how much is repaid?**



\$18

**At the end of 7 years
how much is paid in
interest and principal?**

\$68,365 in interest

\$5,351 in principal



**If I make an extra
payment of \$200 a month
for the first 3 years, how
much will I save?**



\$8,357

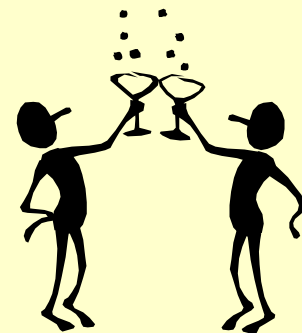
**For every extra dollar
I pay how much will I
get credit for?**

\$2.30



**If I make an extra
payment of \$200 a month
for the first 7 years, how
much will I save?**

\$24,190



**For every extra dollar
I pay how much will I
get credit for?**

\$3.00



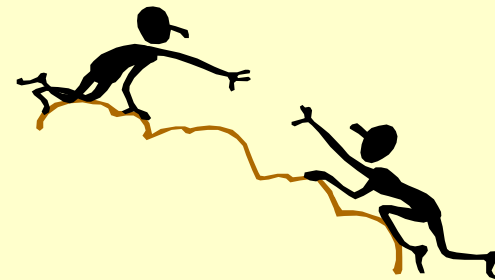
How can I make larger than my required payments?

Look for ways to replace higher interest debt with lower interest debt



How can I replace high interest with low interest?

Replace high interest credit card with a lower rate card if you can



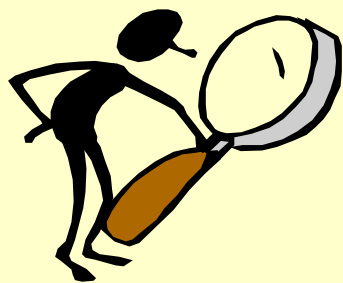
How can I search for low interest rate card?

<http://www.bankrate.com>



**How can I calculate
what my savings will be?**

<http://www.financenter.com>



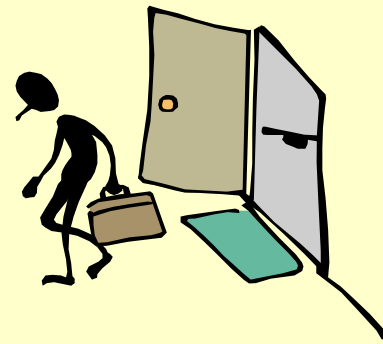
Which debts should I make extra payments on?



- The smallest ones
- The ones with the highest interest rate

When I pay off a loan, what should I do?

Keep your monthly
payments the same and
apply the difference to
another loan



**Can you give me an
example of being
penalized for not having?**

Writing a check for
more than you have
in the account

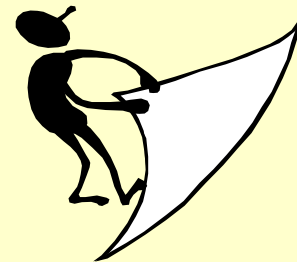


**Can you give me an
example of being
rewarded for having?**

The bank pays you
interest for money
in a savings account



**What are three wealth
building principles?**



- Always place yourself in the group that has every chance you get
- Always do more than what is expected of you
- Concentrate on the little things and the big things will take care of themselves

END