7 Money Myths That Are Killing Your Wealth Potential

Money Secrets You Wish You Knew

Keith Weinhold

Copyright © 2017 by Get Rich Education, LLC

ISBN: 978-1521461983

Table Of Contents

Introduction: Why Read This? 5

Myth #1: Live Below Your Means 21

Myth #2: Get Your Money To Work For You 27

Myth #3: Be Debt-Free 31

Myth #4: Compound Interest Can Make You Wealthy 40

Myth #5: Millionaires Have Got It Made 50

Myth #6: Home Equity Is A Smart, Safe, And Sound Investment 54

Myth #7: Retirement Plans Are Wise Investment Vehicles 63

Conclusion: Your Answer To Financial Freedom 69

Additional Free Resources 80

Introduction: Why read this?

Have you been lied to? I know that I was.

They tell us to go to school, work hard, get a good job, save money in a 401(k), get out of debt, and then we'll be all set for retirement.

I used to believe all of that.

Problem is, life doesn't really work that way anymore. Up until a few years ago, I was working harder and harder at jobs that could never bring me what I really wanted.

Today, things have changed.

Whether or not you've admitted it, if you work for a salary or wages, then money is an important factor in your life.

That's because you're trading your time for dollars and your very life is made up of chapters of time. You keep selling your time, therefore your life, for money. Most employees aren't driven by purpose; they're driven by fear.

Let me give you some good news—it doesn't have to be that way.

Average people earn money doing things that they don't love. Rich people follow their passion.

If you want something that you don't have, then you

need to do something that you've never done. I know where everything that you want is in your life.

It is outside of your existing comfort zone.

You want more from life. You might even feel overworked and underpaid. Maybe you don't even have enough money at the end of your month, let alone think about becoming financially-free.

You can derive a measure of happiness from life with little money. But financial resources provide you and your family with flexibility and options—pillars of freedom.

Even if your work isn't so bad, it often doesn't provide you with a feeling of significance. Wouldn't it at least be better to be "job-optional" in case you *had* to be?

You simply haven't *created enough time* to feel ample measures of peace, joy, happiness, giving, love and freedom in your life.

Let me ask you two tough questions:

- Why is this the life that you've designed for yourself?
- If this isn't exactly what you want, then why did you make this set of choices that led to this life?

I have the answers.

Turn Your Scarcity Mindset Into An Abundance Mindset

First, this is so simple, yet it's often overlooked. The first step in solving any problem in your life is simply *recognizing that there is one!*

When you were born, you came into life as an empty vessel.

Immediately, your parents became your first teachers. They taught you how to talk, how to walk, and eventually they taught you right from wrong.

Then later, before you even learned how to ride a bicycle, your parents taught you about money.

Unfortunately, your parents probably immediately linked money with scarcity.

For example, they probably told you: "Money doesn't grow on trees."

When you first learned how to handle money, another early money lesson from your parents was mentally anchored within your psyche when they uttered those four awful, limiting words to you: "Live below your means".

Before you hit your teen years, you'd learned that money is a major factor in your life that controls what you can and cannot do.

Isn't it ironic that those who loved you most in life—

your parents—are the same ones that seeded a *limiting* money belief system inside your spirit and your will?

If it's alright with you, I'd ask like to ask you two personal questions in an innocuous way about your parents' iteration of scarce beliefs:

"How did that work out for their wealth?" and "How is it working out for yours?"

They wanted the best for you. It wasn't intentional for your parents to set your limits and draw a confining box around you. But they got you thinking that way only because they learned the same limiting "live below your means" mindset from *their* parents.

What has this mindset translated into for most people? Well, forget a great retirement; that's now long-gone for many. A recent Ipsos survey found that 52% of Americans would not even have sufficient funds to cover a single $500 medical bill!

Then why do people keep following sets of obsolete advice that stifles their ambition? Why practice this money mythology? Why does "live below your means" and a scarcity mentality keep getting handed down generationally if this is the outcome?

First, a school student spends 7,800 hours a year at home, and only 900 hours in school. That's why your parents are your most influential "teachers".

Secondly, because our school system provides little to no financial education, schools effectively

reinforced your parents' devastating "live below your means" mantra.

Schools only teach you how to *avoid* wealth! They train you to get a job as a worker bee—as an accountant, purchasing manager, or doing computer IT.

Schools tell us to save part of our pay and put money into savings accounts, which have interest rates that don't even keep up with inflation! They tell us to invest in 401(k)s, which are destroying your wealth, as you'll see.

Most have been so indoctrinated with this ideology that you think "this is just the way it is" and "there is no alternative." Most people think they have to be born rich to be rich, or that it "takes money to make money".

After you were done with school, "came of age", and looked forward to being out on your own, you never once thought to yourself, "I can't wait until I can get out on my own and live a *small* life!"

But yet that's exactly what nearly everyone goes out and does—they live a small life replete with small amounts of free time, small travels, small impacts on others, small money, small flexibility to create fulfillment, all of which is reinforced with a commensurately small ambition.

As you transitioned from school to the working world, society around you stifled your attempts at abundant thought, reinforcing your scarcity mindset without mentioning abundant ways of thinking.

They kept asking you: "So, do you have a job?", "Why don't you get a job?", and "Did you get a raise at your job?" You're expected to be a worker bee.

As a member of the middle class, you quickly learn to take a job that you don't enjoy because you need the money and you've been trained in school. You are also conditioned by society to live in a linear-thinking world which equates earning money with physical or mental effort and sacrifice.

Then you meet a potential spouse, have children together, and teach them to live the same small life that you settled for.

You likely didn't have a reference group or social circle of wealthy people. Therefore, those in your inherited circle reinforced your limiting your ambitions. They hardened your "small life" mold.

"It makes no sense. People spend tons of time learning about how work works. They spend zero time learning about how money works. Yet money is the main reason that they go to work."—Keith Weinhold

Your reference group calcified your beliefs. Why was it so easy to keep believing that "settling for less" is better? I'll tell you why: it's easier to behave a certain way "because that's just what everyone else does".

Whenever the best justification for a certain activity or behavior is "Because that's the way we've always done it", that's when you know that something needs to change.

You see, it's easier to be affirmed than be informed. Today, you're finally being informed.

This is good news! Throughout this book, it will be revealed that the antiquated notions that your parents, school, and society taught you about wealth creation are even a little hokey.

Your Stepping Stones To Wealth: The Abundance Mindset Filter

To transition from a *scarcity mindset* to an *abundance mindset*, your thoughts must release this hardened and affirmed state of scarcity. The mind must be molded, softened, then liquified so that it can pass through four filters.

Here's the great news: once your mind passes through four filters, it can finally be hardened and informed inside a new, abundant mindset. The filters are not filled with physical toil—they're mental.

The progression of the Abundance Mindset Filter is:

Realize → Decide → Educate → Act

This sounds so simple, but the main reason lower and middle class people don't acquire wealth is because... you don't *realize* that you can. That's *it*? Yes, that's it! That's the first filter. It's mere belief.

Yet even for the small subset of people that do understand that they can become wealthy, they rarely

pass through a second filter. That is, they rarely *decide* to become wealthy. Deciding to become wealthy is the next important step towards actually *becoming* wealthy.

Thirdly, you must educate yourself. Rather than learning about work all the time, what about taking some time to learn about the very money that you trade so much of your time for? For those that progress this far, now the filter aperture is getting really small.

Finally, you must act. Act on your decision to become wealthy, using the knowledge you acquired in stage three. For most, the sieve gaps have become so small that you can barely see the openings!

Few pass through all four filters. Fear usually derails people between the second and fourth filters. They find it more comforting to start reverting to the former scarce way of thinking. Let's help change that for you!

You don't need to be anywhere near the smartest, hardest-working, or most articulate person to obtain financial freedom. You need to be informed, action-oriented, and sometimes a little bold.

It takes *belief*. Most avoid losing rather than ever trying to win. One can spend life either whining or winning.

What helps you flow through the Abundance Mindset Filter faster? It's getting around wealthy, abundant-minded people. This lubricates your progress.

"You are the average of the five people you spend the most time with."—Jim Rohn

Due to the influence of our parents, school, and social circle, there has not been a "pattern interrupt" of abundant thought into your life.

When will it change for you?

It won't change for you "someday" when you are pensively peering out a rain-drenched window pane and have some magical epiphany. That never happens.

It starts today, with real action.

Let Go Of Limiting Thoughts And Actions

Don't live a middle class mindset. This is a group of people who "settle" with merely "getting by" and make $60,000 a year. They're handcuffed to their mortgage payment, and work paycheck-to-paycheck to live for the weekend. They have two or three weeks of vacation per year.

The middle class have food in the fridge, electricity, and their mind has been conditioned to be grateful that they don't live in a poorer country. That's dreadful. People that are locked into this mentality will never be financially free.

Unfortunately, some people have just believed the same old things for so long, that they figure that these old, limiting beliefs *must* be true merely because they've believed them so long.

Consequently, our mind throws up a wall when we hear new ideas. This is normal.

When we learn new ideas, our mind does its best to create reasons for why the idea is wrong or won't work. Psychologists call this cognitive bias an "anchor".

If you leave your mental anchor buried in the sludge at the port, then your scarcity ship won't go anywhere.

"A ship in harbor is safe, but that is not what ships are built for."—John Augustus Shedd

Our mind tells us things like "Learning to be a successful investor is too risky. I'm better off just putting money into a retirement account." It's that reversion to the buried anchor. It's a limiting thought.

People in society reinforce that you should keep your anchor buried.

They might even criticize you for desiring wealth, telling you: "Well, I'd rather be happy than rich."

Here's what to tell them: "Why not be both?"

"Whenever you find yourself on the side of the majority, it is time to pause and reflect."
—Mark Twain

Some in your existing social circle might even say that the wealthy are evil. They're not.

The wealthy have just learned to create more value for others than you have. That's not evil, it's resourceful. You can learn to be resourceful, too.

You either know how to generate revenue or you work

for someone that does. A wealthy person—directly or indirectly—even provided you with *your* job. If your friend resents wealthy people, then tell them that they should stop working for one.

One investment vehicle that I favor is investing in real estate. I provide clean, safe, affordable, functional housing for people. That way, I can also serve society. I'll never get called a slum lord.

When I first read that "being wealthy is a *choice*" in a Robert Kiyosaki book years ago, I didn't believe it. That sounded too simple and foofy to me because I grew up lower-middle class in the United States—simple, rural Appalachia. Years later, I know that being wealthy is a choice.

I decided. *You* must decide.

Fear

Fear and doubt destroy more dreams than failure ever does. Most people don't live their dreams; they live their fears.

That's why they're afraid to spend money to do what they really want, whether it's going to Maui for two weeks, quitting their job to become a nature photographer, or buying a new motorcycle. Fear keeps you at your job.

Fear controls about 90% of most people's hundreds

of little daily decisions. It often comes down to fear about money.

Homo sapiens have a primordial predisposition for survival. The good news is that we can learn to thrive, not just survive. We've since built a society on top of our biology, from factory assembly lines to lunar landings to The Information Age to social media platforms.

Bridging Your Mental Gap

How else do you begin to think wealthy? First, you need to bridge your cognitive dissonance. Cognitive dissonance is simply psychologists' term for your feeling of discomfort that results when you hold two conflicting beliefs inside your head.

When there is a gap between your beliefs and behaviors, something must change in order to eliminate the dissonance and move your mental anchor.

Perhaps Yoda said it best in *The Empire Strikes Back* when he told Luke Skywalker: "You must unlearn what you have learned." Sometimes, unlearning the old limiting beliefs inside your head must occur before space can be created for abundant, new thought.

Those with a fixed mindset *answer their own questions*; they say "I already know". Instead, those with a growth mindset constantly *question their old answers*.

There are two types of answers: 1) Simple, but wrong. 2) Complex, but right.

Brutal Honesty With Yourself

Not only do I shun "live below your means", I actually look to *increase* my personal financial expenses every year. (Now that's not conventional financial advice!). That's because I know that my income will increase at an even faster rate than my expenses. Yours can too.

I value relationships, experiences, and giving, all more than material items. But why not have them all? People that say "material things mean nothing" are simply not being honest with themselves.

If they believe that, then I guess they'll be selling their car so that they can start taking the bus, downsize to a 200 square foot efficiency apartment with no hot water and one sink, and never wear jewelry again.

Divorce your story. Marry the truth.

Though non-material things like relationships, experiences, and giving, matter more, you can see that material things matter to some degree. I want to tell you how to have all four.

"We should never demean wealth. We should never demean success. We should always promote it because this is where we all eventually want to be."
—Sandra Smith

Anything worth having is worth complementing with "the good stuff" in life.

You would rarely *choose* to spend a two week vacation in your living room instead of the Grand Canyon. You wouldn't spend a day in a canoe with a miserable person that's more of an emotional drain than a fountain.

You wouldn't buy a McMansion just to furnish it with cheap camping chairs. You wouldn't buy an E-Class Mercedes (like I own) and slap a bunch of stupid bumper stickers on the back. You wouldn't embark on a luxury cruise and eat Skittles for dinner.

The same way, your life is worth living to the fullest, so it's worth complementing with "the good stuff" in life. Your mind operates at its best-and-highest use when it's filled with abundant thoughts rather than scarce ones. It's okay!

Growth begins when you peel back every layer of your vulnerability onion and start to be honest with yourself. The roots of change are nourished with honesty and genuineness.

You were born into a life teeming with possibility. If you've *learned* to be poor or you've *learned* to become middle class, then you can also *learn* to be rich!

If you've *learned* how to be a great golfer or a great foreign language-speaker, then you can also *learn* to be rich.

This is fantastic news for you! You've been provided choice and opportunity to not merely survive, but *thrive*.

However, few see the opportunities that are right in front of them.

Poor minds often keep believing that there is a lack of opportunity. Rich minds see so many opportunities, that they're acting upon as many as possible because they have a heightened awareness of the *opportunity cost* of inaction.

Poor is an acronym. P-O-O-R. It stands for "Passing Over Opportunity Repeatedly".

Here we go. You're going to have to open your mind to help bridge your cognitive dissonance because you're about to read things you've never read before.

Believing these following money myths will prevent you from ever acquiring wealth. Here are the *7 Money Myths That Are Killing Your Wealth Potential*. Yes, these are all false and we're going to dispel them together one-by-one, right now:

Myth #1………..Live Below Your Means

Myth #2………..Get Your Money To Work For You

Myth #3………..Be Debt-Free

Myth #4………..Compound Interest Can Make You Wealthy

Myth #5………..Millionaires Have Got It Made

Myth #6………..Home Equity Is A Smart, Safe And Sound Investment

Myth #7………..Retirement Plans Are Wise Investment Vehicles

Please don't take the destruction of your long-held beliefs as a personal affront. This will shake up your mindset, and then impart the *good news* that you can create wealth for yourself. Take it from me, a person that practices what I preach.

Myth #1: Live below your means

Truth: Expand your means

To create wealth, your solution is not to cut expenses. Your solution is to increase income. No one shrinks their way to wealth.

I'm not telling you to live *above* your means either, but rather to focus on expansion.

Pay attention to how high you set the bar for yourself. Okay, this will be fun. Let's look at some examples of **living below your means** versus **expanding your means:**

Spend years of your childhood…

Below:...practicing to become high school football mascot.

Expand:...practicing to become high school quarterback.

Spend 5 extra minutes today...

Below:...detouring to the cheapest car gasoline station.

Expand:...with your family because you arrived home sooner from the nearby gas station.

Spend 30 minutes…

Below:...waiting in line for a free Chik-Fil-A Sandwich.

Expand:...learning about how credit scores work to get the best mortgage terms.

Spend 1 hour...

Below:...mowing your own grass when the neighbor's kid would do it for $30.

Expand:...in research to find your next income-producing property.

Spend the next three years…

Below:...staying at home so that you could save money and hope you'll live better "someday".

Expand:...on ten memorable family vacations and five seminar trips, paid from your income properties.

Spend the next ten years…

Below:...working overtime because your idea of income production is trading time for dollars over and-over-and-over.

Expand:...having both the time and money to attend your daughter's piano lessons and ice skating exhibitions.

Spend 30 years…

Below:...commuting to work. You sell your time for money at a work-a-day job that you might not even like.

Expand:...enjoying durable passive income streams. Use your extra time to find fulfillment or create memories with loved ones.

Spend 40 years…

Below:...being a landlord. Every tenant has your phone number.

Expand:...checking on your income properties

distantly with occasional e-mails to a trusted PropertyManager.

Think about your life as:

Below:...hauling water buckets to the garden daily.
Expand:...setting up a sprinkler system in the garden once.

One can never clip enough coupons, buy enough of the cheaper paper towels, or seek out the less expensive gas station often enough to create lasting wealth. That won't work.

In fact, it *prevents* wealth creation because you're consuming your limited time, actions, resources, and mental bandwidth on nonsensical trivialities.

In life, think less about *reduction*. Think more about *production*.

"Don't Live Below Your Means. Expand Your Means." is a mantra from the *Rich Dad Poor Dad* book series. I have asked the author, Robert Kiyosaki, about it the last time I hosted him on my Get Rich Education podcast.

Don't say "I can't afford it." That statement turns off your brain.

Instead ask "How can I afford it?". That gets your brain thinking.

Time vs. Money

Many unsuccessful people tolerate long, tiring, daily

commutes apart from loved ones in order to live in cheap, distant neighborhoods. They settle.

Successful people ask themselves questions such as: "What's my time worth?"

On trading your time for money: "Frankly, it's just about the worst trade you can make."—Tony Robbins

At your workplace, your co-workers joke that you'll spend more time with each other than you do with your own families!

Well, that joke never made me laugh.

Your co-workers spend most of their productive lives selling their time for money. They trade their time for dollars. Is that really who you want to emulate? That's time that you could have spent with loved ones, making memories, giving better, or feeling fulfilled by practicing your unique gifts.

Your time is a scarce resource. Money is abundant. More dollars, euros, yen, and yuan are being printed every day. So then why trade in your scarce resource in exchange for an abundant one?

You're trading away your gold for an equal amount of sand.

"Don't get so caught up trying to make a living that you forget to live a life. That's not a life well-lived." —Keith Weinhold

You see, when you cut your expenses down, you're

diminishing your lifestyle. You'll never get that degraded quality-of-time back. It is *gone*.

Further, you can only cut so far to the downside. Instead, when you focus on expanding your means, there's *unlimited* growth potential. You're also living better all the while, and enabling yourself to better give to others.

"The concept 'Live below your means' keeps many people financially poor, emotionally empty, and spiritually neutral."—Robert Kiyosaki, Rich Dad Poor Dad author and #1 Personal Finance Author Of All-Time

The more you understand about monetary systems and world currencies, you learn that money is in abundant supply.

Your life is made up of chapters of time. In this life of yours, time is all that you've got. Time is an irreplaceable resource. Once gone, don't wait for it to be replenished. That has never happened.

Most People Die Young

Within this book about good news for you, I have a sad to thing to tell you. When people's dreams die, the majority of *them* dies, too.

That's why most people die around age 25. It's just that they're not buried until age 85.

When you read an obituary, the tragedy is not so much

about the death. It's about the fact that the deceased person was afraid to fully live while they were alive.

Walk a graveyard. Look around. Assume that most of those people didn't get what they wanted.

Think this is sad? It's even worse.

Most people never even *found out* what they wanted in life.

They lived a life based in fear. They spent their life with their head down, grinding at a soulless job, settling for less, and living life below their means. They never even tried to create the time to discover what fulfilled them.

When you think about your own decision to spend a life either living below your means or expanding your means, let me ask you something:

For your own kids, would you rather that they learn to live below their means, or expand their means? Do you want to produce children so that they can live below their means? No. No one really does.

Of course you would rather see them expand, just like your parents really wanted you to expand your means. They just didn't learn how to tell you. But this book will ensure that you do not make the same mistake.

Myth #2: Get your money to work for you

Truth: Get other people's money (OPM) to work for you

At some point, you probably heard: "Don't just work for money. Get some of your money to work for you."

Here's the surprise, and this will shift your thought paradigm. This is where you need to heft your anchor up from scarcity harbor. Don't let this be a shot to your psyche.

Getting your money to work for you will *not* create wealth for you!

(You probably had to read that more than once.)

It *might* (merely a "maybe") provide a modest retirement for you by the time you're in your 60s, 70s, 80s, or 90s. That's all. That's it.

I know, I know. This one is shocking to some people. "Get your money to work for you" is merely a lower class and middle class concept.

In a way, you subconsciously know that it is. That's because—look around—those that say this are no wealthier than middle class.

Other People's Money

Then what's the answer? People become wealthy when they employ *other* people's money (OPM) to work for them.

Well, wait. *Other* people's money? First of all, is that even legal? Yes, in fact, the government encourages you to do this.

So if it's legal, then is it ethical? Yes, because the best way to do it is by providing others with sound housing.

Is it available to you? "Yes" again! It's widely available.

A Wealth Creation Vehicle

The good news is that everyday people like you can employ *other* people's money when you buy income-producing real estate with a small down payment.

In fact, this way you can employ OPM *three* ways, simultaneously!

1. You employ the bank's money to produce great *leveraged* rates of return.
2. You employ the tenant's money for your monthly income.
3. You employ the government's money for generous tax incentives.

With all this "employing" of others' capital, you can begin to understand why you won't need to stay "employed" into old age yourself.

You can feel justified in being a profiteer when you provide society with clean, safe, and functional housing.

Let's be clear: I'm not talking about being a landlord or house flipper—yuck. They're *jobs*. As a former landlord myself, I know. I'm talking about being a smart, strategic *investor* instead.

For example, I only buy income property if I know I have a sound Property Manager in-place before Day One. Admittedly, I thank the world for the profession of property management. If it didn't exist and I had to self-manage, I'd sell everything I've got.

The good news is that you don't even need an original idea to do this! You can follow a template laid out for you by more seasoned real estate investors like me.

You don't need to develop a cutting-edge social media platform, or invent a device that transforms turbid water into clean drinking water.

Simply follow a well-tread path that's been pioneered by so many others.

You don't need any sort of degree or certification, either. There's not even one single formal test to pass.

Your money alone will not be enough to compound and bring you wealth. Wealth creation requires you to ethically harness the power of OPM, and it takes so little knowledge to do it.

Myth #3: Be debt-free

Truth: Be financially-free

Debt-free means that you don't owe anyone anything.

Financially-free means that you can do whatever you want to do, whenever you want to do it, because you have passive income.

Passive income is income that you don't have to work for. When your monthly passive income streams grow to meet or exceed your monthly living expenses, you've attained financial freedom.

Well, no one created wealth merely by retiring their debt. That's scarce thinking.

Again, you want to think about production, not reduction.

Bad Debt

Look, your first experience with the term "debt" is when it felt like something that you were trapped underneath in a burdensome manner.

That's ugly consumer debt, like 18% APR credit cards. That's because you—the *borrower*—had to work hard to pay back that debt so that you weren't still paying bank finance charges on a surf and turf dinner that you ate three years ago.

Even if you had a lower-interest car payment, *you* were still the one that had to pay back the debt *yourself*. Therefore, you associated debt with something undesirable. You might have even had to work overtime or on weekends to make a car payment.

Debt hurt. It involved your personal toil and sacrifice. But that was “bad” debt.

Good Debt

With strategic real estate investing, debt is different. Now you have the ability to *outsource* 100% of your debt payments to the tenant. Now, you are *not* the one working to pay back the debt.

It’s hard to do this with other investment vehicles.

I purchase most of my income properties in the U.S. Midwest and South (although I don’t live there) because that’s where the highest rents for the lowest purchase price are found.

Before I purchase an income property, I make sure the property’s rent income is conservatively projected to exceed all the expenses comfortably, including: property taxes, insurance, management fees, repairs, utilities, and the monthly mortgage debt payments.

My leftover monthly income is called “cash flow,” which is monthly income minus monthly expenses. I also have the tenant paying down the mortgage for me while I simultaneously receive a monthly income

stream. I didn't work for this income, yet I fulfilled my mission of creating value (good housing) for others.

Smart debt helped create this. It's about time that we dig into some concrete numbers.

On the property I described above, let's say I used a $20,000 down payment on a $100,000 property. The $80,000 bank loan is being paid down month after month by the tenant. This (smart) debt is conservatively outsourced.

When you do this, in a sense, you are getting paid to borrow money!

Personally, I have millions of dollars in debt. I wouldn't eliminate it if I could (actually I can, and I don't). In fact, I want more!

Let's explore why. With each dollar of (smart) debt that you take on for real estate, at the same time:

- You create *passive* rental income. That's money you don't have to work for.
- You own an asset worth at least $1.20 to $1.25 for each dollar of your debt.
- Your tenants make the monthly debt payment for you.
- Each day, tenants and inflation erode your mortgage principal balance.
- You create another tax benefit for yourself.

- You create value for society with good housing (operate with integrity).

When you invest in income property, you have *five* profit centers at the same time, which we'll explore shortly. Everyday people don't realize this—and few real estate investing educators even realize this!

Therefore, I want to optimize the amount of income properties that I own. The way to do this is with *more* debt (i.e. loans, i.e. leverage). That's how I can control more property.

Rather than pay all-cash for everything, I would rather ask myself: "How much property could I control that way?" and "How many people could I serve that way?" The answers are "less" and "fewer," respectively.

Equity and Debt

To the wealthy, control is more important than outright ownership.

One example of how I do this is by minimizing the amount of equity in our family home (primary residence). That way, those equity dollars can instead be invested in more income-producing rental properties.

In fact, I have the ability to pay off our home right now, but I won't. That would be one of the more reckless financial decisions that I could make!

Instead, I keep maximum debt on our primary home.

This way, I have more dollars available for down payments on income properties—and then I actually take out *even more debt* to get loans on those income properties.

Think that sounds risky? Then let's look at some numbers.

Let's say I would want to *undo* what I've done and pay off our home. Let's look at how that would hurt us.

The mortgage balance on my wife & I's Anchorage, Alaska home today is about $410,000. The monthly mortgage payment (principal plus interest) is $2,000.

The number of income properties that I would have to sell (to cash out their equity and pay off my home) means that I would lose their $3,500 in monthly cash flows.

Therefore, I would suffer a net loss of $1,500 in monthly income ($2,000 minus $3,500).

> ***"It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so."—Mark Twain***

That's not all. It would get *even* worse for me if I paid off our home!

If I retire the loans, I would also lose financial leverage, lose all the monthly loan paydowns that those apartment building tenants keep making for

me, lose tax benefits, and receive no more inflation-hedging benefits.

What's an "inflation-hedging benefit"?

Just like you wouldn't keep one million dollars in the bank because inflation would erode its purchasing power, I *do* want to keep one million dollars in debt because inflation erodes that debt burden the same way. That's inflation-hedging.

In fact, at a 4% inflation rate, a million dollars in debt today only carries the weight of $308,000 after thirty years.

The same way, a million dollars in savings today will only have $308,000 worth of purchasing power in thirty years.

This is exactly how inflation impoverishes savers and enriches borrowers.

Again, 100% of my income property debt payments are outsourced to tenants—principal plus interest. The leftover monthly income is mine to keep.

Monetary inflation and loan paydown by tenants both simultaneously erode the debt's burden...every... single...day.

So by trying to undo what I've done by selling income property to pay off my primary residence, you can see why I "got into" what I "got into".

I would inflict financial harm on my family from

undoing what I've done—by trying to retire debt by myself rather than letting others (tenants and government monetary inflation) do it for me. That's why I make the decision to keep equity safely separated my home.

That way I can plant and cultivate many small equity seeds in several income properties with loans on them. There's more space for that money to grow into.

If I pay off my home and have massive equity locked up between pieces of drywall, I've basically sent off my money to retire. Then I couldn't retire because I would have sent my money away to retire instead. Sadly, that's what most people do.

Instead, most people send off their money to retire, then they have to keep working.

Would you rather have your money retire, or have yourself retire?

This is why I'm far, far away from being debt-free. I wouldn't want to have it any other way than to have millions of dollars of this (smart) debt—unless I can get more!

You see, when I pull equity out of my home and into more income property, it's still my equity. It's just spread across multiple properties for optimal gains.

Most people keep working themselves because they haven't learned how to ethically harness other people's money to work for them. My housing mission is

to serve tenants with housing that is clean, safe, affordable, and functional. Serve others.

Most that believe "debt-free is the way" are less financially educated. It's not that simple. They're not even thinking about passive cash flow.

Those people are *hoping* for a *pile* of cash near the end of their life. That's speculating.

Instead, they could *ensure streams* of income all their life—*plus* still have an equity pile at the end. That's investing.

How To Make Money Follow You

Most people spend their lives following money around. If they get a better job offer, they'll uproot their entire family and move to Illinois, or California, or New Jersey, or Quebec, or Azerbaijan, or Dubai, or a place they might not even like.

Life is too short for you to spend your time following money around.

Instead of following money all your life, put smart systems in place that makes money follow you, wherever you choose to live. Your tenants are the ones that are forever following money.

I can live anywhere and the income from my professionally-managed, cash-flowing real estate keeps coming in. Cash flow checks from income property

keep getting auto-deposited into my bank account. You can have this, too.

That's freedom.

"Don't follow money. Make money follow you."
—Keith Weinhold

By making money follow you, you've become "geographically agnostic". Live where you want to live! Why do life any other way?

By eliminating smart debt, I move away from financial freedom. I want that debt.

You see, when I can borrow at a lower interest rate and invest at a higher interest rate (you'll soon see how high rates of return from income property can be), I want to engage in that behavior to a great extent! This process is called financial *arbitrage*—borrowing low and investing high.

So that's three out of seven money myths explained by now. How are you holding up? Incredulous? Is the cognitive dissonance closing? Is your mental anchor moving yet? I know, I know. This can be a lot to take in!

Myth #4: Compound interest can make you wealthy

Truth: Leverage can make you wealthy

I've got to admit, compound interest *looks* really good when a financial advisor shows you a chart with a compounded annual return of 10% from the S&P 500, plotted over forty years.

But even if you're invested in a low-cost, passively-managed S&P 500 Index fund, *your* return is not the approximate 10% return of that index over the long-term.

Stock Returns vs. The Stock Investor's Return

Well then, why doesn't that 10% return from the S&P translate into *your* return?

Inflation, fees, taxes, and emotion.

So few people factor the real rate of inflation into their investments. Inflation results in the diminished purchasing power of the dollar over time. We're not talking about the government's faulty Consumer Price Index, which underestimates the number.

Though it's debated, many economists believe the real rate of inflation is 5% or more (Source: Investopedia). Subtract 5% from your 10% stock return and your rate of return in real dollars is already down to 5%, and we haven't even factored in fees, taxes, and emotion yet.

As major world nations carry massive debts, the easiest way for governments to "pay back" their debt is to continue to print more currency, which debases that very currency through inflation. Therefore, the world has a motivation to want to keep inflating.

As an investor, you need to beat inflation handily in order to get ahead. Stocks don't do it.

Humans have an emotional predisposition to buy high when everyone else is making money. They give in to a fear of missing out (FOMO).

Conversely, humans sell stock low when they're discouraged and tired of losing. They just want to stop the bleeding. Eliminating fear of further loss makes them feel relief.

Even though humans know they aren't supposed to do this, they do.

Since real estate is less liquid than stocks, you see, there is no "panic selling" in this investment. Real estate investors are hedged against emotional losses.

Fees take a bigger bite than most mutual fund investors estimate. Retirement accounts still tax you; your tax is just deferred until later plus you typically have to pay a penalty to access retirement funds pre-retirement.

In fact, once adjusting for all four factors—inflation, fees, taxes, and emotion—you typically achieve a rate of return of *less than 0%* from stocks, bonds, and mutual funds. It just isn't *reported* this way, so

most investors don't realize how poor their actual returns are.

Financial advisors are reluctant to show you an S&P 500 growth chart adjusted for an individual's inflation, fees, taxes and emotion. They have no motivation to even want to figure that out for you. Ask them to do that for you, and you'll scare them.

Compound Interest Is Lame

The most exciting case for compound interest is the classic: "A penny doubled each day for 30 days will be worth several million dollars."

Sounds great, right? But where does anyone consistently get this doubling, a 100% rate of return?

You see, if you only have compound interest working for you, you're never going to create wealth. It just doesn't add up. You need other people's money. You need financial *leverage*.

Some say that Albert Einstein famously posited: "Compound interest is the eighth wonder of the world." Well, I wonder if Einstein had ever heard of financial *leverage*!

Compound interest at any realistic rate of return is not a wealth creator. It's leverage. Or, I suppose you could even call this *leveraged* compound interest. But you need "leverage" somewhere.

With stocks, your ability to get access to leverage

(called borrowing on margin) is limited. Alright then, so how does leverage work?

Leverage

Here's an example of financial leverage. If you haven't heard this before, these next five sentences will change the complexion of your investment life...forever.

You purchase a $100,000 property with a $20,000 down payment and an $80,000 loan.

At real estate's national historic appreciation rate of 6%, your property appreciates to $106,000 after one year.

Not too thrilling, right?

Not until you realize that your Return On Investment formula is your gain ($6K) divided by the amount you have invested ($20K). That's a 30% Return On Investment to you!

Whoa! Is this real? How did that just happen?

It happened because you achieved the return on both the $20K that you invested *and* the $80K you borrowed from the bank.

You've just used *leverage* to make the bank's money create a return that's all yours!

If you just understood this for the first time, you are now experiencing a light bulb moment. It's the same

epiphany that's made many people want to become real estate investors.

If you've ever wondered how you can get finally ahead by *doing more with less*, leverage is it.

Is leverage something new—a fad perhaps? No, the wealthy have done it for generations, and it's available to you, and will continue to be.

Leverage helps dispel the myth that "it takes money to make money".

"Give me a lever long enough and a fulcrum on which to place it and I shall move the world."—Archimedes

Now, if you didn't have any leverage in the example above (you paid all cash, no debt on the $100K property), then your return from appreciation would have only been 6%. Not 30%. Leverage (debt) made the difference.

If I have $100K, that's why I buy five properties with five $20K down payments instead of paying cash for only one.

Remember OPM? Yep, you also just used Other People's Money...the bank's. OPM dispelled Myth #2.

What created your great leveraged return? Debt. Yes, it's debt that moved you closer to financial freedom. Striving to be debt-free was Myth #3.

Are these dots connecting for you? Is your cognitive

dissonance gap closing? Are you "unlearning" what you had previously learned, like Yoda suggested?

> *NOTE: Leverage magnifies losses like it magnifies gains. Real estate doesn't always appreciate. In 2007, I bought a four-plex building for $530,000. By 2009, I learned a lesson when the property value had fallen to $480,000. Few wanted to buy real estate in a declining market. But that meant rental demand increased; soon I could charge more for rent than ever. It didn't matter that my asset had temporarily fallen in value. I had no motivation to sell it when I was being paid more than ever every month to hold it. This makes real estate special, where you have five profit centers at the same time.*

Remember too...you can outsource the mortgage debt payments to the tenant (using OPM in another way), and this leveraged appreciation is one of five ways you're typically, simultaneously paid as a real estate investor. Let's look at those five.

Now you're seeing before your very eyes how *wealth* is created. It's not by those "live below your means" acts like grocery shopping for generics, growing your own lettuce, or using re-washable cloth napkins (You've got to be kidding me!).

Return On Investment

Dispelling all these myths can help you build

wealth beyond what you had thought possible. But we're talking about *investing* here, so what does this translate into for your bottom line Return On Investment (ROI)?

Allow me to briefly demonstrate each of the five ways you're simultaneously paid with a simple example. Then we'll add up your rates of return to see how much you would be paid at the end of Year One.

Again, let's assume that you've carefully purchased a renovated, tenant-occupied $100,000 rental single-family home, where the rental income exceeds the expenses (I travel the country to learn exactly where you can find the best "turnkey" companies and properties for this, often in the U.S. Midwest and South).

With a 20% down payment, that leaves you with an $80,000 loan at a 5% interest rate on a 30-year fixed amortizing mortgage:

1. **Appreciation.** Your property appreciates from $100,000 to $106,000, commensurate with real estate's historic appreciation rate of 6%. Your $6,000 gain is based on your down payment of just $20,000. Again, that magic of leverage means your return is 30%.
2. **Cash Flow.** Your $1,000 of monthly rental income minus all the monthly expenses (Assume $430 mortgage, $100 property tax, $100 insurance, $100 property management, $70 repairs, $50 vacancy) leaves you with $150 of monthly residual

income. That's $1,800 annually, divided by your $20,000 down payment. This portion is called the Cash-On-Cash Return. That's another 9%.

3. **Loan Paydown.** Unlike your own home where you work to pay down the principal yourself, your tenant pays the $98 monthly principal portion of your $80,000 loan on this property! That's $1,176 that the tenant pays down for you annually. Divided by your $20,000 of "skin-in-the-game" means that's another return for you: 6%.
4. **Tax Benefit.** We're talking about both the mortgage interest deduction and something called "depreciation" that you can typically use as a tax write-off against your income. This means you don't even pay tax on all of your rental income. Your return here can be hard to measure, because it's based on your personal situation, but we'll conservatively call this investment tailwind another 2%.
5. **Inflation-Hedging.** This fifth way is one that even some advanced investors fail to consider. Just like inflation erodes the value of your lump of savings, it erodes the weight of your mortgage debt. Your $80,000 loan today has its "drag" diluted over time as more and more dollars circulate in an economy. It gets easier to "pay back." We'll call this benefit a return of another 4%.

You add up your return from the five ways you're paid, and your Year One return from this income property is a whopping total ROI of 51%.

Yes, really.

Don't expect a 51% return on investment every year. For one thing, accumulating property equity (a zero-return ingredient) over time will erode your Total ROI.

Even if many things go wrong and your return is only half as high, you've handily beaten most professional investors.

Let's note some other limitations. We didn't factor in your buyer mortgage loan closing costs (which the seller can often help you pay for). Also, if you buy property in a losing job market or hire a bad property manager, your entire investment could go south.

Let's note some positives, as well. In point #2 above, your property management cost is considered, meaning that your income is passive. "Passive" means you don't have to work for it. We've also accounted for property hazard insurance, shielding you against some big losses.

This is investing. Things not only can go wrong; they will go wrong. The month that you need to spend $500 to replace a fence section that insurance would not cover won't feel so great.

The most efficient way to buy these properties is through a "turnkey real estate investing provider." These companies fix-and-flip low-priced homes with high ratios of rental income to the purchase price so that an investor's monthly income exceeds monthly expenses.

With turnkey, you're the *direct* owner, your property is occupied with a tenant, yet the turnkey property manager deals with hassles. Many companies are with the Better Business Bureau and have 10-15+ years of experience. I connect you with top turnkey providers at www.GREturnkey.com

Isn't it remarkable to finally, plainly see all the ways you get paid as a real estate investor? Few ever do. I talk about this weekly on the Get Rich Education podcast.

Myth #5: Millionaires have got it made

Truth: Millionaires are not financially wealthy

There's one term our society still popularizes and celebrates, yet it serves as a misnomer as a wealth-marker. It's the aspirational mystique of becoming a "millionaire".

You know what a stock-based financial advisor, or 401(k) plan administrator, might tell you out of desperation? Invest with them and they'll virtually guarantee that you'll be a "millionaire" in thirty years.

A millionaire? Who cares?

The definition of a millionaire is not a person that makes a million dollars a year. Instead, it means that your net worth (the total value of your assets minus the total value of your liabilities) is a million dollars. That's all.

A Million Just Isn't That Much Anymore

You read earlier that 30 years from now, a 4% inflation rate will erode a million dollars down to $308,000 in purchasing power. What will that give you? Two good years? Six lean years? You'll probably be eating cheap frozen pot pies the rest of your life.

You see, if you work hard at a job, save, delay gratification, and invest in stocks all your life, you

won't be rewarded by becoming a millionaire. You will be *punished* by being a mere millionaire within a few decades. Depending on your age, it might take you 5 to 15 million, or more.

A million is one of those compelling marketing words that used to have a wealth connotation, but it doesn't anymore. It just isn't that much. Just how little is a million?

- A million is just a thousand times a thousand.
- *Already*, more than 1 in 10 U.S. households in America is worth one million dollars or more (Source: CNBC).
- One million grains of salt will fit in a little one gallon jug.
- A million minutes is only 1.9 years.
- A million hundred dollar bills only weighs 22 pounds. You use more weight for dumbbell curls!
- The preferred car of a millionaire is a Ford.

There's no longer anything aspirational about striving to be a millionaire. It's increasingly becoming the mark of a small thinker.

When I crossed the millionaire mark, it didn't have any significant impact in my life. In fact, it didn't even make a small impact in my life.

"The Millionaire Next Door"

I learned one valuable takeaway from the popular book

The Millionaire Next Door—it's that I don't want to be The Millionaire Next Door. I also have no interest in helping make others' trajectory steer toward a million.

I don't want to be frugal, stingy, live below my means, and be unable to give during the course of my life like that book suggests. Cutting out the stupid $5 Starbucks latte has nothing to do with creating wealth.

If you find yourself in poverty in your later decades, it won't be because you've bought a latte every day. It will be because you didn't produce enough income. You'll risk ending up a poor millionaire and have limited options.

I don't want to cut down my life's expenses and experiences so that I can save small amounts of money and *maybe* finally enjoy the fruits of my labor when I'm 70.

Why not enjoy the fruits of your labor while the fruit is still ripe? Enjoy the fruit (your life) while it's ripe. Otherwise, what good is the fruit?

Having a mere million dollars can even be selfish. Those with the "million dollar" goal are only going to have the ability to care for themselves and their own family anyway. Why only take care of four people? The world has nearly 8 billion people. Think bigger and share with others.

Millionaires are not financially wealthy. In the end, you don't want more dollars anyway. You want freedom.

Don't get advice from a person with a single million to their name. They're not financially secure. They haven't arrived.

How To Measure Your Wealth

That's why wealth is not measured in terms of net worth dollars that you have. Actually, wealth isn't even measured in the amount of passive monthly cash flow that you have.

Your wealth is measured by the period of *time* that your passive income stream will last at your chosen lifestyle, without you having to work.

Maybe your wealth is two days. Maybe it's nine years.

You don't want dollars and you don't want to be a millionaire. You want freedom.

Myth #6: Home equity is a smart, safe, and sound investment

Truth: The rate of return from home equity is always zero. It is also unsafe and illiquid

This might be a shocking revelation to you. C'mon now; I must finally be pushing things too far here. How could this *possibly* all be true?

Well, let me ask you something first. How much would you want to invest in a vehicle that could never go up in value, but only go down?

How much? Zero...of course! That sounds awful.

Well, that investment is called "home equity".

Home Equity's Rate Of Return Is Always Zero

Remember how I told you earlier that I extract as much equity out of my home as possible?

The amount of equity (property value minus loan balance) in a property has absolutely nothing to do with its rate of return.

To better understand this, let's look at two examples.

Example 1: Home appreciates in value

$300,000 property value
-$200,000 mortgage balance
=$100,000 property equity

Looking at the scenario above, let's say that your property appreciated over time from $300K up to $330K.

Now let me ask you: "Did the presence of that $100K in equity contribute to your appreciation at all?"

No. It didn't matter.

See, appreciation has nothing to do with the equity amount *inside* your home's walls.

Instead, appreciation is based on factors *outside* your home's walls. They include local job growth, increases to residents' incomes, local in-migration and out-migration patterns, area infrastructure improvements, the remaining availability of nearby developable land, and more.

But it never has anything to do with home equity. Never.

Example 2: Home declines in value

OK, let's start with this same situation again.

$300,000 property value
-$200,000 mortgage balance
=$100,000 property equity

Now this time, we'll say you're not so fortunate. Let's assume that what happened in some U.S. markets in 2008-2009 happens to you, and your $300K home falls in value by 33%, down to $200K.

Here's how that looks after the loss in value:

$200,000 property value
-$200,000 mortgage balance
=$0 property equity

You're now at "equity zero." The $100K in equity that you used to have hurt you, because it was *completely* wiped out. It's a 33% loss in value. But it's a 100% equity loss! Your equity was left exposed to the market.

Now you see why home equity can never go up in value, but only go down. It's unsafe.

Note: It's helpful to have a liquid side fund in case your primary residence becomes less valuable than the loan balance and you need to sell.

Home Equity Is Unsafe

No matter how much or how little equity you have in a home, it will have zero effect on your rate of appreciation. However, the more equity that you leave exposed in a home, the more that you stand to *lose*.

You can buy homeowner's insurance to ensure against catastrophic losses like fire, or flood, or wind damage.

But no one will sell you insurance to protect against losing your equity.

If a neighbor's child falls off the monkey bars at your home's backyard, or a tenant at a rental property slips and falls on icy steps, equity that you leave dangling is also low-hanging fruit for plaintiff attorneys.

> *Note: There are more complex ways to structure your equity to help defend you if a lawsuit occurs. But if there's little equity for vultures to go after, a stressful lawsuit may not be borne in the first place.*

Lesson? Consider keeping small equity positions in your properties. Equity is unsafe, illiquid, and its rate of return is always zero.

Holding large amounts of home equity can be risky.

> *Note: When some learn that I own real estate across the nation (and world), they're surprised to learn that I'm an awful handyman. How bad? If I had to build a dog house it would take me a week, and then a light wind gust would flatten it. No one gets rich by being a great handyman. From years of investing, I have relationships with trusted providers and property managers in investor-advantaged U.S. metros, and I share those with you.*

The sad thing is, the homeowner with $100K in equity could have removed some equity from the home instead, and used it toward down payments to purchase

low-cost, cash-flowing income properties. The best ones are often found in the U.S. Midwest and South.

What would separating equity from the home accomplish?

- Equity is not lost. It is only transferred among properties.
- Equity is converted into cash flow. This moves one closer to financial freedom!
- You've taken steps away from being debt-free, and toward becoming financially-free.
- You have diversified yourself geographically. Now you aren't subject to one local housing market's price fluctuations.
- You have increased your leverage.
- With more smart debt, you've further hedged yourself against inflation. Again, inflation destroys savers and enriches borrowers.
- Now you own (control) more property. You would likely rather own more property, not less.

In fact, you may *already* have the potential to be financially-free! This is more likely if you live in high priced North American *coastal* markets and have a lot of property equity. Maybe all that you need to do is convert your existing equity into cash flow.

Home Equity Is Illiquid

Sometimes even real estate investors say something like: "I'll just have loans on my income property but I'll get my own home paid off because that makes me feel good."

You had better understand what that "good feeling" is costing you. Your decisions upon where to put your money should be based on facts rather than feelings.

When you make an extra monthly principal payment, here's what you're effectively telling the bank:

"Hey, Mr. Banker! Here's an extra principal payment of $100 for you. Don't pay me any interest on it. If I need it back, I'll pay you fees and borrow it back on your terms. Oh, plus I'll prove to you that I qualify again."

Yes, some people actually volunteer and do exactly that!

Additionally, when you pay down your home's principal, you haven't reduced your monthly mortgage payment at all when you have long-term fixed interest rate amortizing debt (30 or 15-year) like most mortgage owners do.

If you think this is all ill-advised, it gets even worse for those trying to eliminate their mortgage.

Even at "mortgage zero," you'll still owe property tax. You'll still owe property insurance. You'll still have maintenance and utility costs, and perhaps

homeowners' association dues too. So your house isn't really "paid off". You've merely *reduced* your housing bill.

So even when you "pay off" your home, it's not going to "feel as good" as you think.

"A house [primary residence] is not an asset. Assets put money in your pocket, whether you work or not. Liabilities take money from your pocket."
—Robert Kiyosaki

In most every case, it just doesn't make sense to grind and struggle toward being mortgage-free. You're better off taking those extra funds and reinvesting them in something that produces cash flow and gets other people's money working for you.

Higher income is what sets you free, not "zero loan balances".

30-Year vs. 15-Year Mortgages

Some favor the 15-year fixed amortizing mortgage loan over the 30-year, because they point out that they're guaranteeing saving dollars in interest. They're absolutely right.

But they often fail to consider that if they instead invested the difference between the higher 15-year payment and lower 30-year payment into strategically-chosen income property, that gain will typically be multiples greater than the interest savings.

The 15-year mortgage also provides less flexibility. The higher payment *must* be made each time to prevent the loan from going into default. Remember, you're after freedom, not bank servitude.

What if you lose your job? You would still need to make the higher 15-year mortgage payment.

On income properties, higher 15-year loan payments make many properties cash flow negative. Lower 30-year payments turn many properties cash flow positive.

Also, 15-year mortgage payments build up equity faster. We've just pointed out that equity is unsafe, illiquid, and always has a rate of return of zero.

So ask yourself why you're trying to build up equity in any one property. I practice what I preach. My home is intentionally mortgaged to the hilt. Anything less is paying an opportunity cost.

> *Note: Some homeowners in high-priced markets like coastal California and metro New York can be financially-free simply by exchanging their equity for high-cash flow property in emerging U.S. markets in the Midwest and South. I specialize in showing you how at www.getricheducation.com and where at www.greturnkey.com.*

Use Existing Equity To Create Cash Flow

My equity dollars are out of my home and they're

producing cash flow in professionally-managed income properties with trusted providers across the United States.

I do not want to have my home paid off by the time I'm age 45, nor 65, nor 85, nor 105.

With the faulty belief that home equity has a rate of return, here's the bottom line: homes are built to house families, not store cash. Homes make terrible banks.

That's equally true whether it's your own home or an income property rented to tenants.

Myth #7: Retirement plans are wise investment vehicles

Truth: Retirement plans reduce your salary and ravage your life

What about 401(k)s and similar retirement plans like 403(b)s, 457 Plans, and IRAs? I'll generally refer to these as "401(k)s" hereafter.

Most people have never flown high to take a "big picture" view from 35,000' above the ground. For the first time in your life, you're going to take that flight with me now.

Salary Reduction Plans

Let me start by asking you... which of these two plans sounds better for your financial life and future?

- Salary Reduction Plan
- Salary Increase Plan

Pick one of those two and we'll hook you up with your choice right now. Which one is it going to be?

It probably didn't take you more than one-tenth of a second to think about that one. You would rather be involved in a "Salary Increase Plan." It's Captain Obvious stuff.

However, you're more than likely already participating in the "Salary Reduction Plan."

Did you know that when 401(k)s sprouted in the early 1980s, they were ominously dubbed "Salary Reduction Plans"? It was soon realized that they had to scrap that name to foster employee participation.

Since then, the plans haven't substantially changed. A "salary reduction" is principally what 401(k)s still do to you!

In fact, 401(k) creator Ted Benna lamented years later that he created "a monster" that should be "blown up". (Source: MarketWatch) Yes—this is the *very creator* of the 401(k) that says this! Since its introduction, the plans have become fraught with hidden fees and have experienced declining employer matches.

> *Note: If the "early dollars" that you put in a 401(k) get a dollar-per-dollar match from your employer, that's like a guaranteed instant 100% return. If that's the case, I encourage participation in that portion.*

However, these detracting characteristics are trumped by the fact that decades later, 401(k)s are still Salary *Reduction* Plans, not Salary *Increase* Plans.

Salary Increase Plans

What's a "Salary Increase Plan"? It involves investing in a cash-flowing asset like a strategically-purchased

income property with monthly income that conservatively exceeds the monthly expenses.

Rather than *you paying it* every month like a 401(k), a cash-flowing asset *pays you* every month—in young age, middle age, and old age. Meanwhile, 401(k)s *only* start paying you late in life.

A carefully chosen, leveraged, cash-flowing asset simultaneously tends to increase in value over the long-term faster than a 401(k).

Income property has tax benefits that are the same, or greater than, either 401(k)s or similar tax-deferred defined contribution retirement plans.

401(k)s only *defer* your tax day until later. They don't eliminate it.

> *Note: 401(k)s are not even 100% tax-deferred. Few realize that you still pay 7.6% tax on Social Security and Medicare.*

Retirement plan proponents trump that your savings grow and compound tax-free. Then at retirement, you can pay a lower tax rate, so that it ought to work out for you.

It isn't working out for people! Those 401(k) proponents are planning on you being in a low tax bracket at retirement, essentially meaning that you're retiring poor—and this is after years of both grinding at a job, and denying yourself income from the grind! Who would design their life this way?

A 401(k)'s greatest impact on your life is the fact that it is a *life-deferral plan* more so than a tax-deferral plan. You're deferring and denying your life, time, money, options, flexibility, experiences and opportunity for yourself and your family.

In fact, with income property, I'll legally pay zero capital gains tax forever through a tax incentive that the government gives real estate investors called a "1031 Exchange". Even my heirs won't have a tax liability due on the properties.

> *Note: Governments use the tax code to reward those persons that do good in society, like produce housing and employment. Conversely, governments punish those that they deem create risk to society, with what some call "sin taxes" on cigarettes and beer. Profit by doing what the government wants you to do.*

You see, when most critique mutual funds—which is what most 401(k) money is invested into—they take a magnifying glass to them and only look at small-picture stuff.

For example, they examine something like 12b-1 fees. They're the mutual fund *company's* fund marketing fees of up to 1% that *you* must pay. That harms you. But it's minor.

Most mutual fund observers stay close to the ground—they fly just above the treetops and miss the big picture.

What's the big picture? 401(k)s aren't designed to

provide you with *any* income until you're in your 60s, 70s, 80s, and beyond! They actually snatch it away. That's so much more significant. It's life-altering.

Retirement plan proponents' last-ditch effort to desperately try to defend this is: "Hey, well you should just learn to delay gratification then."

No, you shouldn't. Why delay gratification when there's zero benefit in the delay?

Most retirement plan proponents and mutual fund-based financial advisors also really don't want you to know that there's something called a Self-Directed IRA that you can use for real estate purchases.

Opt-in for a Salary Increase Plan for the rest of your life. It's called cash-flowing income property.

Give Yourself A Pay Raise

I'd like you to imagine something. Contemplate how you feel about asking your boss for a raise tomorrow.

You might work hard for months or years to try to warrant this raise, compile a list of reasons over time to justify your raise, and finally feel sweaty and nervous when it's about time to approach your boss's mahogany desk to ask for the raise.

Then one brazen day, you take an anxious trip into your boss's office. On top of all that, once you've asked, the boss's verdict is still out of your control.

Instead, just give *yourself* a raise with each income-generating property that you buy.

In your financial life, countless factors are unpredictable: the housing market, the stock market, oil prices, bullion prices, your employment status, the inflation rate, foreign trade policy, the Federal Funds Rate, your unforeseen medical or home expenses, and more.

But one factor that's larger than all of those is also one that you actually exert influence over. It's your rate of pay today.

When you participate in a retirement plan, you're giving yourself an immediate pay cut. It's similar to your boss giving you a demotion. Instead, you can give yourself a raise!

Between the dead money you have in home equity or the sub-optimal dollars that have reduced your salary inside a 401(k), you have "money that you didn't know that you had" that can be invested in income-producing real assets. This is more good news!

Conclusion: Your answer to financial freedom

Most people don't have a money problem. They have an idea problem.

This book could be the best financial news of your life.

I intentionally kept this book short to keep it approachable. Most people don't read books because they never finished the last book they read. That changed for you today.

The answer and solution to all seven money myths is: real estate investing! But it's done in a strategic way so that you're the profiteer, without sinking a lot of time into the endeavor (and certainly not landlording or flipping—those activities are jobs, not investments).

You create value for society through sound housing. My parents didn't know to tell me "expand your means" either, but more importantly, they told me to do good in the world. That's why I provide society with good housing.

There are other options for building wealth such as stocks, CDs, bonds, ETFs, mutual funds, foreign currency trading, collectibles (I once owned one of the world's top collections of American football cards), art, precious metals, cash, savings accounts, and money market accounts.

But you won't build significant wealth with them. They pale in comparison to investment real estate.

Educate, Then Act

Now, don't go out and buy a duplex yourself tomorrow. Let's bring up some risks. With real estate investing, there are mistakes to avoid—from buying a property that you can't keep occupied with tenants, to underestimating inevitable repairs.

In fact, in real estate investing, most people make the mistake of starting with the property. You might be surprised to learn that the property is only the fourth most important thing in real estate investing!

Here's what matters, in order:

1. **You.** What do you want real estate to do for *you*? Appreciate in value, provide tax benefits, provide a vacation home, or provide passive income so you can create financial freedom? Unless you're already wealthy, it's usually the last option.
2. **Market.** An income property must stay occupied with rent-paying tenants. That means you need to choose a geography and neighborhood that has a growing population, low crime, job growth in diverse business sectors, and more.
3. **Team.** Your chosen turnkey property provider, property inspector, and the quality of your ongoing management team is even more important than the property itself. They need to find and retain

good tenants. A bad manager could drive a good property into the ground.

4. **Property.** Only once the above three boxes are checked, can you finally think about analyzing single-family home rentals vs. four-plexes vs. assisted living homes, etc. Find monthly rent income that will be conservatively projected to exceed expenses.

But now that you know "why," you'll be more interested in learning "how," which we talk about at Get Rich Education:

- Learn more free at my popular weekly Get Rich Education podcast where I interview top thought leaders including Robert Kiyosaki, T. Harv Eker, Harry Dent, and the world's most successful investors. We focus on cash-flowing investments.
- Learn from my blog at www.GetRichEducation.blog. I also write for Robert Kiyosaki's Rich Dad Advisors.
- www.GREturnkey.com This is for action-takers. Get the names and contacts for trusted turnkey providers in the most profitable real estate markets where "you invest, they do the rest" and feel free to ask them some questions. I invest with many of these *same* providers myself. Like any business, there are good turnkey providers like the ones I deal with, and others that I avoid.

Every resource is free.

The good deals on income property are most likely not

in your backyard. They're in certain markets that have high ratios of rent income to purchase price. These single-family homes are typically under $200,000 in price. At higher prices, rent income does not keep pace proportionally.

It's amazing to me that some people hesitate before buying real estate in a different state than their own.

Yet at the same time, they'll buy stocks and they don't even know what state the company is located in. That stock investor often doesn't understand quarterly earnings reports, P/E ratios, analyzing intrinsic value, or the very basics about stock investing.

Even if you had that inclination and awareness, how much control would you exercise in stock shareholder meetings. Do you even know when and where they are?

When I buy real estate out-of-state from a trusted provider, I have substantially more control than I would with stocks. I can ask my manager to raise the rent, add a carport, install washers & dryers, and sometimes I can even remove equity from the property while still owning it. That's control. It's also easy to understand.

The great news is that in order to acquire wealth, you just need to "unlearn" these seven mindset myths that have been introduced and reinforced since your childhood.

Most people think TINA—There Is No Alternative—

to a life that's so much less than what one is capable of living.

We simply can't become what we want by remaining what we are.

Average people "long for the good old days". Rich people dream of the future. People who believe their best days are behind them rarely get rich.

Remember, "realize" is the first Abundance Mindset Filter that you needed to pass through to transition from scarcity to abundance:

Realize → Decide → Educate → Act

Congratulations! You've already passed through the first filter. You already "Realize".

You could take down the second one and "Decide" today, and begin "Educate" and "Act" next.

Whomever you learn from, don't learn from somebody that's only read a lot of books on a topic. Learn from somebody that's actually done it.

Great News

This is great news for you! You don't need to develop the next wildly successful mobile app., social media platform, or invention to turn turbid water clean. You don't even need any degrees.

If not real estate, then what else? If not now, when?

Just between you and me...you know what's a little crazy? I don't even *like* real estate that much! It's concrete, bricks, wood, windows, drywall, vinyl, petroleum products, and copper wire, all sitting on dirt.

Rather, I like what real estate *does for me*.

I really mean this from the bottom of my heart: I've got to tell you, if I can do this, you can do this.

When I "came of age" and it was "time" to buy my first single-family home, I didn't buy one. Instead, I bought a four-plex building, living in one unit and renting out the other three. I didn't even know what terms like "cash flow" and "equity" meant yet!

From there, I took my time to learn the building's financials and compare it to stocks, mutual funds, precious metals, bonds, foreign currency trading, and other investments.

Once I analyzed real estate like few people do and realized exactly how it makes ordinary people wealthy, I grew my real estate holdings both nationally and internationally.

I made mistakes along the way. Once I rented an apartment unit to three girls just because they were attractive. They partied so loud that the police showed up. They hid a dog when pets were prohibited.

When I worked for an employer as a construction materials inspector, I contributed to a 401(k) because

I used to believe the very myths that I dispelled for you today.

I used to think 15-year mortgages were better than 30-year mortgages and all these scarcity-minded myths. I managed my own property for more than five years, which I regret. It's time that I'll never get back.

> ***"Formal education will make you a living. Self-education will make you a fortune."—Jim Rohn***

I don't work for anyone today. I'm financially-free because I have practiced exactly what I have written about. I've purchased enough income properties that provide passive cash flow that exceeds all my living expenses. You can do it the same way.

Learn About Something That Matters

Do the right thing first, then do things right.

You need to spend your time—the most precious resource that you own—learning about something that matters and will have durable demand.

Real estate is that thing. Everyone needs it. It is not discretionary. People are not going to stop needing an affordable place to live. In one way or another, you're using real estate as you read this right now whether you're in your bedroom, living room, car, in a library, on an ocean vessel, or under a bridge.

Technology is changing the world at an exponential rate. That's why it makes sense to learn about

something like real estate that even futurists don't predict will be significantly disrupted anytime soon.

Turnkey Real Estate Investing

The answer is passive cash-flowing income property that you buy already renovated, already tenanted, and already under sound property management from Day One, after you've qualified for a mortgage.

The property manager collects your rent income. All the property expenses are then automatically deducted from the rent, and itemized by a property manager. Once that's accounted for, each property often yields several hundred dollars a month, auto-deposited into your bank account.

This process in the above two paragraphs is called "turnkey" real estate investing. I locate geographic markets with job growth, a strong ratio of demand to supply, states with laws that favor property owners rather than tenants, strong employment, and positive in-migration. These areas typically aren't found along the U.S. coastal areas, they're often inland.

Today, I regularly travel the nation, and sometimes the globe, to find, vet, and maintain relationships with trusted providers in investor-advantaged real estate markets. I connect you with many of these same trusted providers (which I often invest with myself) at www.GREturnkey.com.

Spread out your equity among multiple turnkey

properties, and in multiple geographic regions for diversification. It's smart to invest in three to five geographic markets.

Many more than that gets to be a lot of property manager statements to read. Fewer can result in lack of diversification and overexposure to one or two local real estate market economies.

The old-fashioned "only buy a property that you can drive to" is mainly practiced by small do-it-yourself landlords that aren't financially-free. They're vulnerable to the ebbs and tides of one local real estate market.

They tend to be the types with paint stains on their pants, a ladder rattling around in the back of their pickup truck, and haven't vacationed in three years.

If turnkey real estate investing is so great, then why haven't you heard about it sooner? Again, it's because the educational system and most peer groups perpetuate these seven money myths and other antiquated notions. This is exactly why none of those myth-believers are wealthy.

Live the Life You Were Meant To Live

Be an investor, not a landlord, nor a house flipper. Do it well and at some point, you won't have to be a trade-your-time-for-dollars job-worker. You can either create a few passive income streams for extra income, or even make yourself completely "job optional" like I have.

It takes time; it won't happen by next week. But for most, it never happens.

Which one sounds more palatable to you?

- Do hard work once and get paid once.
- Do smart work once and get paid the rest of your life.

Do you say "Work smarter, not harder." but then you're really working harder?

It's called lifestyle arbitrage. That's the difference between how you are living, and how you could be living.

Quit volunteering for a pay cut. Give yourself a raise.

Don't live below your means. Expand your means. Don't settle for a small life. Live the life you were meant to live.

Becoming wealthy can be hard sometimes. But being poor is definitely hard. Which "hard" do you choose?

Late in life, people die spiritually for one of three reasons—it's either lack of friends, lack of finances, or lack of purpose. Building your investor network and providing society with sound housing satisfies all three.

Your most important investor measure is your "Return On Time Invested".

I'm impressed with the fact that you are such a passionate investor. How could possibly I know?

Because you have invested your time reading this. I trust that you have just received a good return on your investment.

Will your wealth, lifestyle, opportunity, and ability to give be bound, confined, and even arrested by these seven deeply ingrained, faulty money myths? Or have you challenged and overturned them?

Will you expand your means to live the life of freedom that you want? I don't have the answer.

You're the only person in the world that does.

Additional free resources:

Get Rich Education
Home
www.GetRichEducation.com

Get Rich Education
Podcast
www.GetRichEducation.com/podcast

Actionable
Investments
www.GREturnkey.com

Get Rich Education
Blog
www.GetRichEducation.blog

About The Author

Keith Weinhold:

Founder of GetRichEducation.com. He is the newest Contributing Writer at the Rich Dad Advisors blog. He writes about real estate investing, finance, and cultivating an abundance mindset at www.GetRichEducation.blog.

You probably know the sound of Keith's voice as he hosts the popular and long-running weekly Get Rich Education podcast. Some regard this as unusual for two reasons: 1) He was voted the most quiet & shy student in his high school class. 2) He launched the first episode in 2014 from his Anchorage, Alaska home dining room table with a laptop and a $60 microphone.

Keith achieved great success in real estate investing from a young age with little money, starting by making his first home a four-plex building. He "rented out three and lived for free" with just a 3.5% down payment. He grew nationally and internationally.

One of Keith's many quotables regards the rarity of owning a wealthy mindset: "The scarcity mentality is abundant and the abundance mentality is scarce."

Nothing herein should be considered specific personal or professional advice. Please consult

an appropriate tax, legal, business, real estate, or financial professional for individualized advice. Information is not guaranteed. All investment strategies have the potential for profit or loss. The author is operating on behalf of Get Rich Education, LLC exclusively.