

Creating family wealth



By: Michael Shinn, CFP

"Wealth is not about what you can acquire, but about what you can accomplish, and accomplishments take discipline, self-denial and, yes, time. To build wealth, to experience true abundance in our lives, we must go beyond meeting short-term needs and wants—a roof over our heads, clothes on our backs, the 'bling' of things quickly acquired and just as easily discarded—to focus on long-term goals," wrote Earl G. Graves, Sr., publisher of Black Enterprise magazine in recognition of the magazine's 35 anniversary. "True wealth building is about an investment of time as well as money."

If you took a poll of American adults, I am quite confident that more than 95 percent would raise their hands and say that they want to be wealthy. However, the facts would indicate that only 20 per-

cent of the U.S. population controls over 80 percent of the wealth. Creating wealth is more than just wanting to be wealthy or acquiring the outwardly visible trappings of wealth. Creating family wealth begins with a state of mind.

The first step to achieving any serious goal is to write it down and then visualize having achieved that goal. The subconscious mind then begins to direct your thoughts and actions toward your goal. Most people do not achieve their goal, because they never fully mentally commit themselves. They will make half-hearted attempts and then give up at the first sign of adversity.

Taking financial responsibility is more than earning a paycheck and dutifully paying your bills. Being financially responsible involves knowing how much money you have, where it is coming from, where it is going

and what it's doing in the meantime. This includes keeping a monthly income and expense report and an annual net worth statement. Most people will say that keeping track of their money is too much work, but when you consider how many hours a week you work to earn it, wouldn't spending a few hours a week managing your money be worth the effort?

"Pay yourself first" and "it's not what you earn, but what you keep that makes you rich" are both well-worn phrases. You have probably heard both phrases hundreds of times, but how many people actually live by these rules? Wealth accumulators save 20 percent or more of their gross incomes. Achieving a saving rate at that level is not easy. Taking control of your finances and efficiently allocating your money will allow you to keep a fair portion for yourself.

Most wealthy people own

businesses. It is difficult to accumulate wealth by strictly relying on a paycheck. A job creates an income, which in most cases just satisfies the wage earner's basic living expenses.

Additionally, employment wages are not given favorable tax treatment. In most cases, you earn a certain income, subtract a few deductions and then calculate a percentage of tax to be paid to the federal, state and local governments. On the other hand, business ownership affords the owner the opportunities to legitimately expense items used in the business, such as equipment, supplies and home-office space and write them off against the business income. The business owner has more flexibility to legitimately manage their tax burden. Additionally, if the business is successful and increases in value, the increased value is not taxed until the business is sold and then at favorable capital gains rates.

I am not advocating that everyone quit their job and go out and start a business. However, I am recommending that you consider ways that you can create a part-time business or other streams of income, so that you can supplement your income and take advantage of the favorable tax treatment afforded business owners.

If you continue to manage your financial affairs in the same manner that you are right now, will you achieve family wealth? Some will answer yes, but for most people, the answer will be no. Unfortunately, most people will spend a lifetime working and then retire from their J.O.B.—Just Over Broke! It doesn't have to be that way and it doesn't have to happen to you. Start today on a program that will create wealth for you and your family.

(Michael Shinn is a registered representative of the Financial Network Investment Corporation. Visit www.shinnfinancial.com for more information. Questions and comments may be sent via e-mail to shinnm@financialnetwork.com.)

HATS OFF TO THE CLASS OF 2006

May your education provide a solid foundation on which to build your hopes and dreams. Good luck to all of you!

FLOW

WILLIE GUESS
Phone (336) 760-7000 • Fax (336) 760-7021

GRIFFITH COMMONS APARTMENTS

SUMMER SPECIAL

1BR \$504.00	Sec. Dep \$225.00
2BR \$600.00	Sec. Dep \$250.00
3BR \$688.00	Sec. Dep \$688.00

Garbage disposal, washer dryer connections
Patio/balcony, cable ready, pool and more

CALL FOR MORE SPECIALS
760-1802

300 GRIFFITH COMMONS DRIVE
WINSTON-SALEM, NC 27103