

Work is a choice: #1 Maintain lifestyle and achieve financial freedom.

Which is easier: Cutting spending OR keeping spending the same?

Nobody likes to cut spending. Not politicians, not business owners, and not individuals. People often figure out they are not saving enough to make work optional quickly enough. They “try” to save more by cutting spending and realize out just how hard it is to cut spending.

What if cutting spending isn't necessary?

If someone can't save enough now, they need to focus on keeping spending level and saving increases in cash-flow. Examples of cash-flow increases:

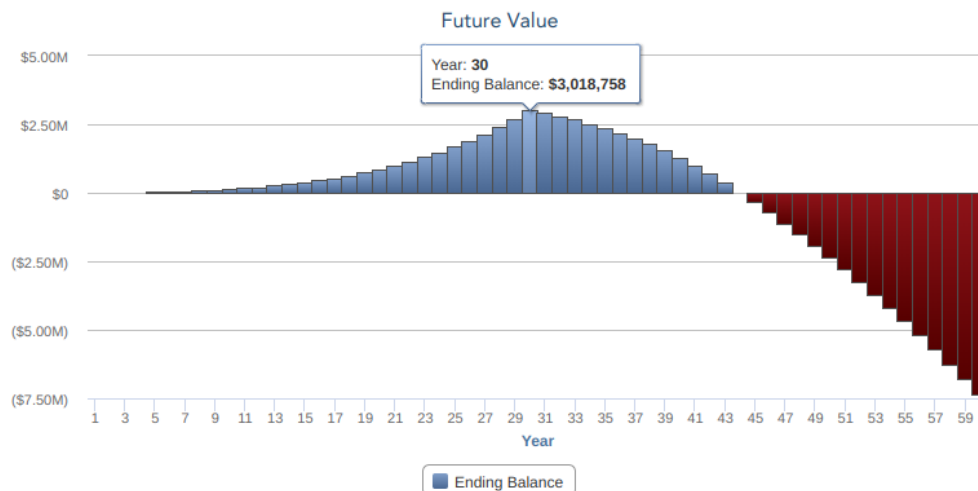
1. Incomes go up: Raise, promotion...
2. Windfalls: Bonuses, Tax Returns, Gifts, Inheritance, Sale of business, selling a car or home...
3. Expenses go away: Debt payments, tuition, child/parent support, cable bill, etc.. (Don't replace the debt payment with another debt payment!)

Case Study: Family keeps life steady and saves raises.

Facts: Family income 100K growing at 5%. They plan to work for 30 years, then not work for another 30 years. They currently spend what they make, 100K, so they save NOTHING and have NO investments. They get a stellar 5% rate of return every year forever.

Scenario 1: Save the raises

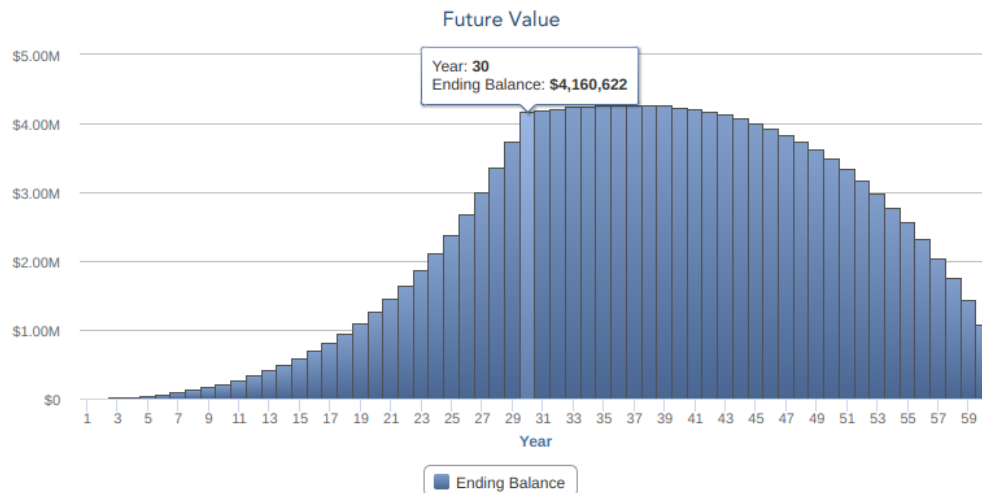
In this scenario, the family holds spending steady with inflation (3%) and saves the extra income growth of 2% each year.



Observation: Just by holding the line on spending and saving only the increases, this family manages to accrue over \$3MM! Pretty good for maintaining their lifestyle. Unfortunately \$3MM still isn't enough and funds are gone after about 14 years.*

Scenario 2: Save the raises and save the extra cash flow when debt is paid off.

What if this family saved the extra cash-flow after their mortgage and car are paid off? With a little bit of planning, this is entirely doable.



Observations: A small adjustment makes a big difference. Now this family accrues an extra \$1MM for a total of over \$4MM! The lifestyle is much more sustainable and now work can be optional in a reasonable timeframe.*

Saving increases in cash-flow has a significantly positive impact.

- Maintaining expenses
- Save the extra cash flow
- Don't extend debt payments

Little differences have a large impact.

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