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Simple ways to make a fortune

TO inspire your own money saving campaign, I highly recommend getting your hands on a (cheap) copy of *The Millionaire Next Door*. You won't regret it.

Published in 1996, its message is as fresh — and as valuable — today as it was then.

In the book, authors Thomas J Stanley and William D Danko take an expert look at the general habits of millionaires.

By millions they mean people who have €1,000,000 net worth, not cash that's tied up in a house or business.

They found that the very well-off aren't extravagant, for the most part they drive second-hand cars, don't buy

flash suits and aren't generally the most highly-educated people either.

A common feature is that they tend to be frugal, living well within their means while ensuring they invest and save diligently. Another trait is that they're not in the least bit interested in keeping up with the Joneses.

Instead, they live life on their own terms with their feet firmly on the ground and their aims clear.

In the middle of a tough recession it's easy to lose sight of the fact that if you're still working and making ends meet then you're slowly but surely succeeding.

But keep in mind that you can, with some planning, do even better.



THE saying "Give a man fish and you feed him for a day, teach a man to fish and you feed him for life" is a useful way to look at personal finances.

After all, there are plenty of people who can tell you what to do, or give you advice to get you through the next day/week/month, but it isn't nearly as powerful as being able to take control of your own cash.

This is the first in a series of pieces in which I'll break down financial issues to help you make better decisions.

However, if you're already struggling and can't make ends meet despite having done all you can, then you need professional help beyond what I can offer here.

In this case, call MABS on 1890 283 438 or my firm *Advisors.ie* on 01 6339 243.

Otherwise, the first and most fundamental step is to get to grips with your personal balance sheet.

Ideally, the amount of money coming in will be bigger than the amount going out. If not, you'll have some re-arranging to do.

FORCE

It may seem a bit strange to think of your household money as a balance sheet, but my aim is to force you to examine your finances as if a third party, such as an accountant, was giving them an NCT.

A great way to start drafting your balance sheet is to download a Standard Financial Statement (we have one on our site for you at *advisors.ie*) and fill it in.

This includes almost every expenditure you can think of, and if I've missed any you can use the additional list on it for any extra items.

Completing this will show clearly where you are right now.

The next thing to do is buy a small notepad, and for two weeks write down every cent you spend — and no cheating.

A simple look at this will show you where you have the potential to make savings. In future weeks we'll look at getting better deals on annual payments such as house insurance to save even more of your wages.

Just by taking these two steps you'll be on the way to a financially richer life as the Financial Statement will help you track your progress and the notebook will show you what you're doing day to day.

The third step is to decide what you want. Here you can be as ambitious or as conservative as you like, but remember that going too far in one direction will dramatically change your odds of success.

Get your finances in order

WEEK 1

Don't

fudge

it..

budget!

GET BACK IN CONTROL

It all adds up... do your sums and save

For example, do you want to retire before you're 65?

Would you like to pay off your mortgage early?

Or perhaps you'd just like to balance the books?

Everybody has a different vision of financial success, but what really matters at this point is that you have a clear idea of your goals.

Once you decide what you want, make a detailed note of it.

Be specific so you'll have something to focus your mind's eye on when you're making the sacrifices it will take to achieve it, because becoming financially independent generally involves sacrifice.

What about people who inherit money? Well, they don't "become"

financially independent, they're often born that way.

If, like me, you're in the other 99 per cent of the population, it'll take traditional hard graft.

To soften the blow I'm going to show you the way one week at a time.

But for today you only have three small steps to make, and they are:

- Fill out a Standard Financial Statement
- Keep track of ALL of your spending, and
- Write out, in detail, your financial objectives in life.

Having this foundation will help in the coming weeks when we take a close look at ways of saving money and stripping out waste while getting getting you to the place you want to be financially.

NEXT WEEK: Achieving your financial goals

Q&A

Help turn €30 into nest egg

Q! DON'T have a lot of money. In fact, after I fork out for household things, pay some money off my debts and keep a few quid for the kids' activities it's sometimes as little as €30 a week.

How can I become better off in the long term if this is all I have left over?

A IT won't be easy — rearing kids is so costly — but at least you're making some headway.

Over the years you'll gradually reduce the debt you mention in your email, and by making ends meet rather than borrowing more you're also reducing your future liability.

Follow the three steps I outline in the above article and I'm sure that in a few weeks you can not only make that €30 bigger, but by saving it you will also open up more financial options for the future. It takes time, but you're on the right path.

Prices to float your boat.

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ADVISORS.IE

Karl Deeter is operations manager at *Advisors.ie*, a firm of accountants and financial advisors.