

Rule #2 — Start Saving and Investing NOW!

The Wise Productive Person, never begins the day until it is finished on paper. The same could be said of investing. Part of a financial plan is figuring out where you want to be when you are retired. That implies a formula. To figure out where you are going, you need a target goal in mind. The major variables in long term investing are Present Value of your money now (PV). How much money you can invest on a regular basis. What kind of return on investment (interest rate) (investment selection has an important role here also) you think is reasonable over the long term. The biggest part of the formula is Time. Time is an investor's biggest ally. To understand why time is so important to investment success, you need to appreciate the power of compounding.

Einstein reportedly called the power of compounding "the eighth wonder of the world," for good reason.

Over time, compounding turns a little money into a lot without any special effort on your part.

Remember this — the most important dollar you invest is the one you invest today. You'll never fully exploit the power of compounding unless you start now. Not a year from now. Not a month from now. Not tomorrow. Start investing now.

The benefits of starting to invest as soon as possible are evident in the following example:

--A 20-year old can achieve a million-dollar portfolio by end age 65 if he or she invests just \$72 per month (assuming an average annual return of 11 percent). Said another way, that 20-year old will invest, over the course of those 45 years, less than \$40,000 in order to create a \$1 million portfolio. That's the power of time. That's the power of compounding.

--If that 20-year old waits until age 30, he or she will need to invest \$208 per month to reach seven figures by end of age 65. --By waiting until age 40, an individual will have to invest \$615 per month to reach \$1 million by age 65.

--And if you wait until age 50 to begin your investment program, you'll need to invest an average of \$2025 per month to have \$1 million by age 65.

These scenarios make two important points. First, the sooner you start investing, the easier it is to build a seven-figure investment portfolio. Second, even if you start investing at age 50, you still have a shot at seven figures. But it will be much harder than if you had started earlier.

My mentor, Jim Rohn says " To become financially independent you must turn part of your income into capital (savings, budget finance); turn capital into enterprise (investing with professional money managers); turn enterprise into profit (that's hanging in there, despite the markets); turn profit into investment (that's growth for the long term); and turn investment into financial independence." (and that's the 1st Life Goal that most people want to achieve) Creating an investment portfolio, based on a solid plan of action, in-order to create an ever increasing income that you can not out spend in your retirement years.

You do not live off the million dollars, but the income that a million dollars can produce. Rough rule of thumb on this, 1 Million will support 70-100,000 per year income, properly invested in a long term retirement plan. You have to own equities (business's) and you have to take the risk's (up's and down's of the market, in order to protect your money's long term purchasing power). Doing these basic things with the guidance & help of your family's primary financial advisor will make all the difference.

For most people the 2nd most important step in the financial planning process is deciding to start a saving and investment program. This is often easier said than done. You may have to break old habits and start new ones. You may have to sacrifice current consumption. You'll never get to financial independence without starting. So get started NOW, and take the 1st most important step. Consult with Your Independent Financial Advisor, Timothy L Ross "Where Client Goals Become Our Goals" advisor@timothyross.com 1-800-667-4662