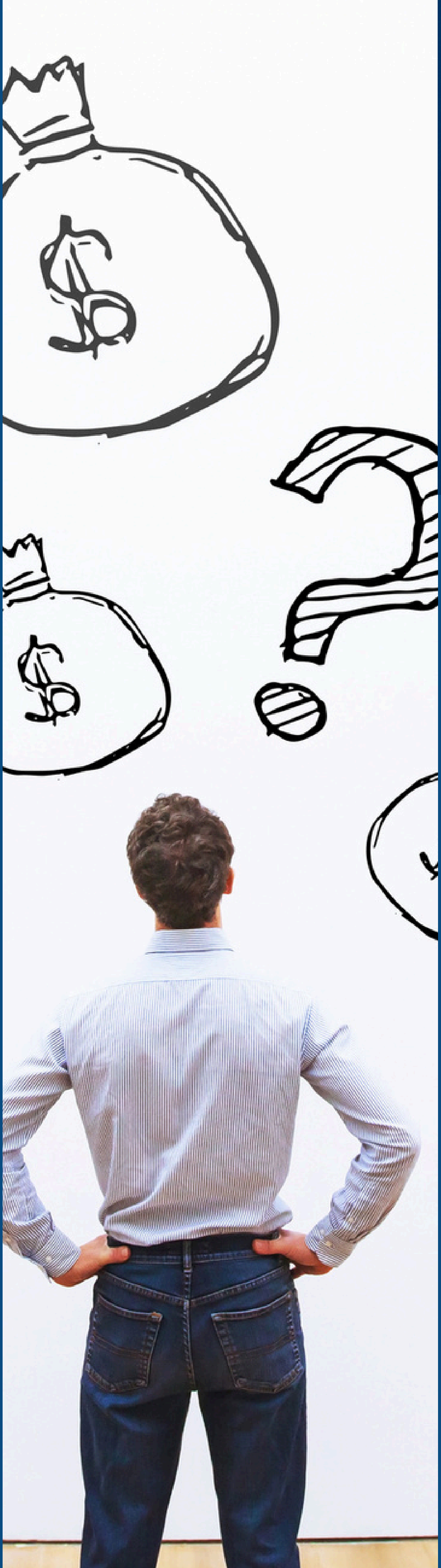

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SPENDER, SAVER, WEALTH CREATOR.

WHICH ONE ARE YOU?

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Three Personality Types:

Spender

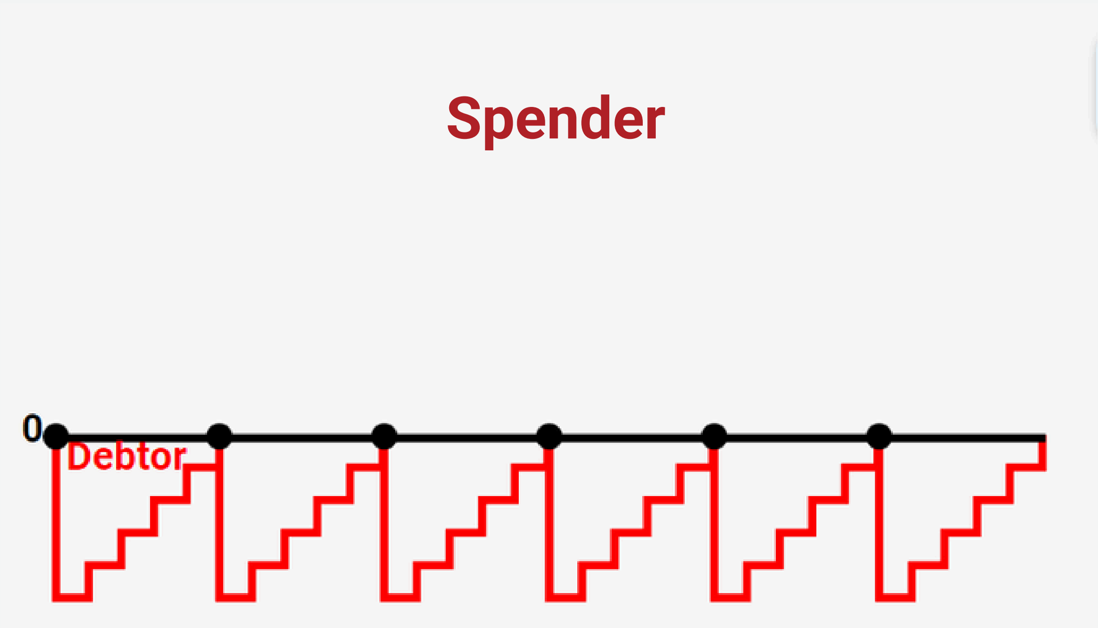
In life there are basically three personality types: Spenders, Savers and Wealth Creators.

Spender

The Spender usually lives for the moment and consumption. They essentially have no savings to speak of and all money earned in the Life Time Capital Tank is spent. Now some people may argue if I only made more money I'd be able to save. This statement may be true for some people, yet why is it that we come across high income earners with little or no savings. The answer is simple, lifestyle has an insatiable appetite. Spending money is easy and we feel good doing it. Saving is hard because it means sacrificing part of our present lifestyle so we can enjoy the future.

The Spender lives below the zero live, and any major capital purchase is likely financed through debt from credit cards or bank financing.

The figure below shows how a Spender pays for purchases. They assume the debt, the pay for it over time. Once the debt is repaid, then they assume a new debt for the next purchase and the cycle continues.

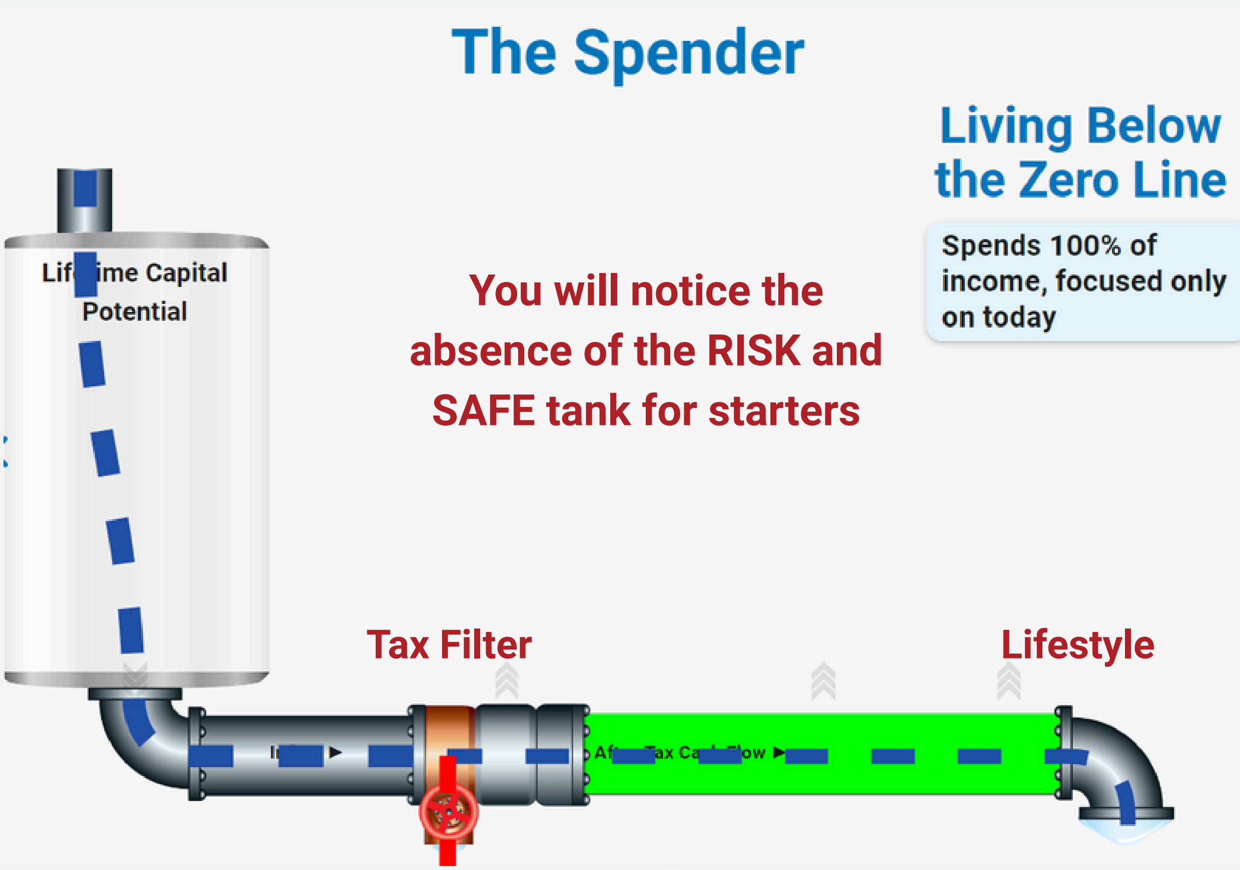


Spender

You may already be familiar with our Personal Economic Model (PEM) and the tank approach to your finances. If not then you should download the PEM Guide to get an idea of how money flows through the system.

In the no tank scenario every dollar earned in the Lifetime Capital Potential tank is spent on lifestyle. The person has no collateral and may also rely on credit for unexpected expenses.

They have no RISK or Savings tanks to speak of. You can see by the cashflow it all goes to lifestyle to the right after paying taxes and it's never recoverable.

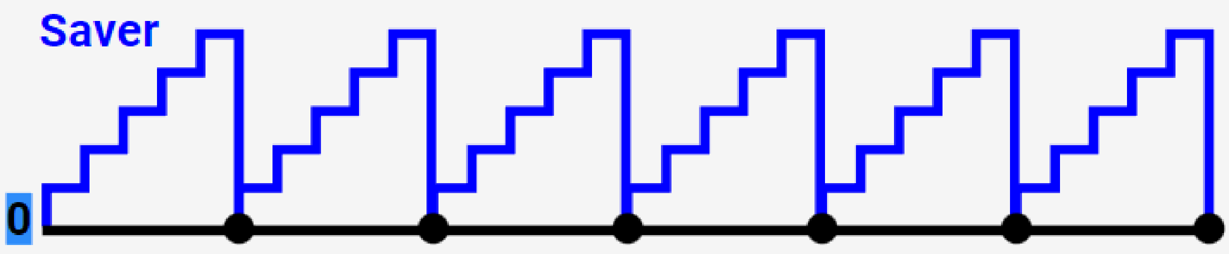


Saver

When we move to the Saver profile, the habits are quite different. Instead of spending all of the income on lifestyle and borrowing, then paying down for purchases, the Saver saves up all of the money for a purchase. After saving the amount required, the savings are depleted to pay for the purchase. Essentially it is the mirror opposite of the Spender profile.

Savers hate debt and do not like paying interest on purchases. Although not a bad strategy, there could be another way to pay for purchases and continue to grow your wealth.

One thing to consider, is thinking about how long it takes to save for that purchase. Once the money is handed over it is gone forever and you need to start that saving cycle again. That transferred money can no longer earn any interest and that is an opportunity cost.



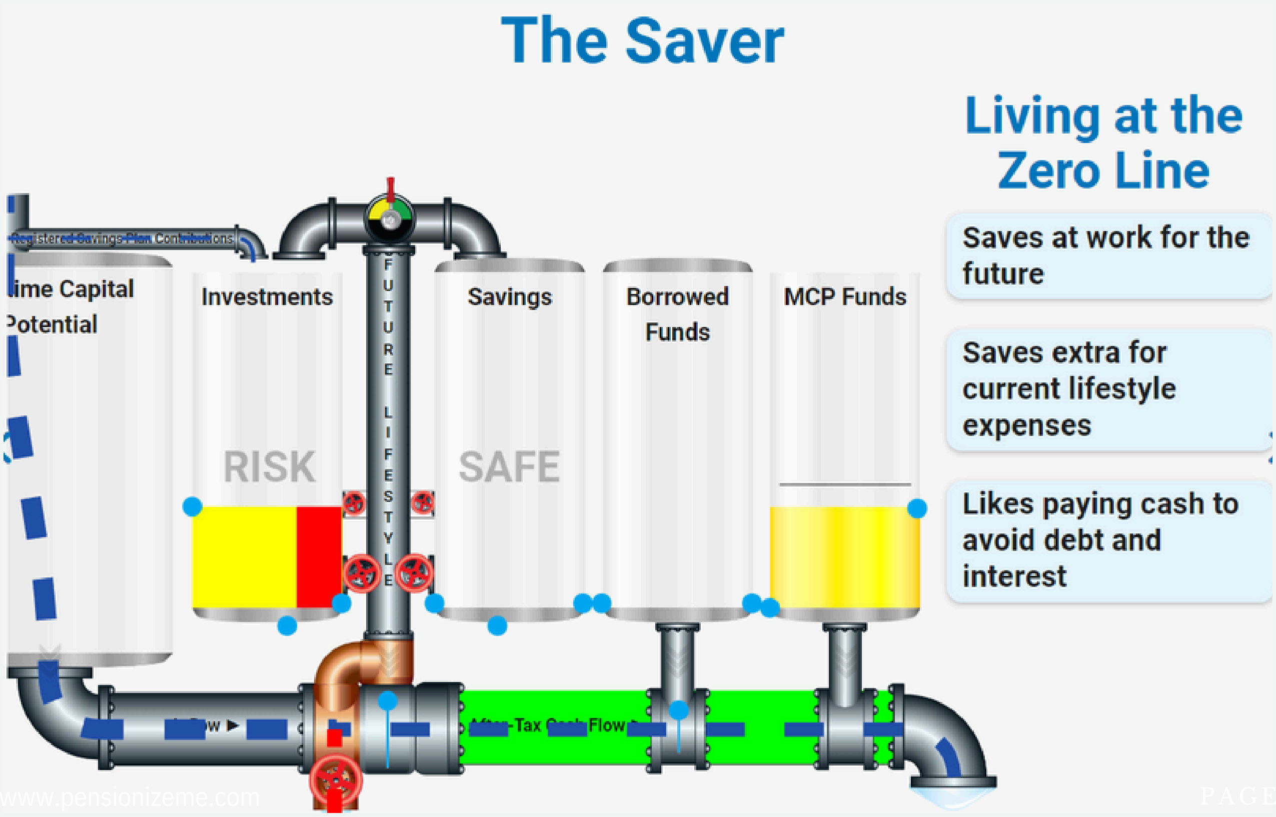
Saver

In contrast to the the Spender, the Saver has the ability to fill multiple tanks like the RISK tank and SAFE tank. Instead, their focus is paying cash for any purchases so they fill up the Major Capital Purchases (MCP) tank.

The MCP tank is separate from the SAFE tank because the SAFE tank is one that is not to be drained for purchases. Rather, the funds in the SAFE tank are to be collateralized for purchases and not drained, more on this in the Wealth Creator profile.

Once the Saver has accumulated the funds for the purchase the tank is drained and they start over again. Imagine not draining the tank and instead using it as collateral and allowing that capital to continue to grow. There are strategies where that capital in the SAFE tank grows without taxation.

The biggest take away is that when you have cash leave your hands you are self financing and that self financing comes at something called opportunity cost.



Wealth Creator

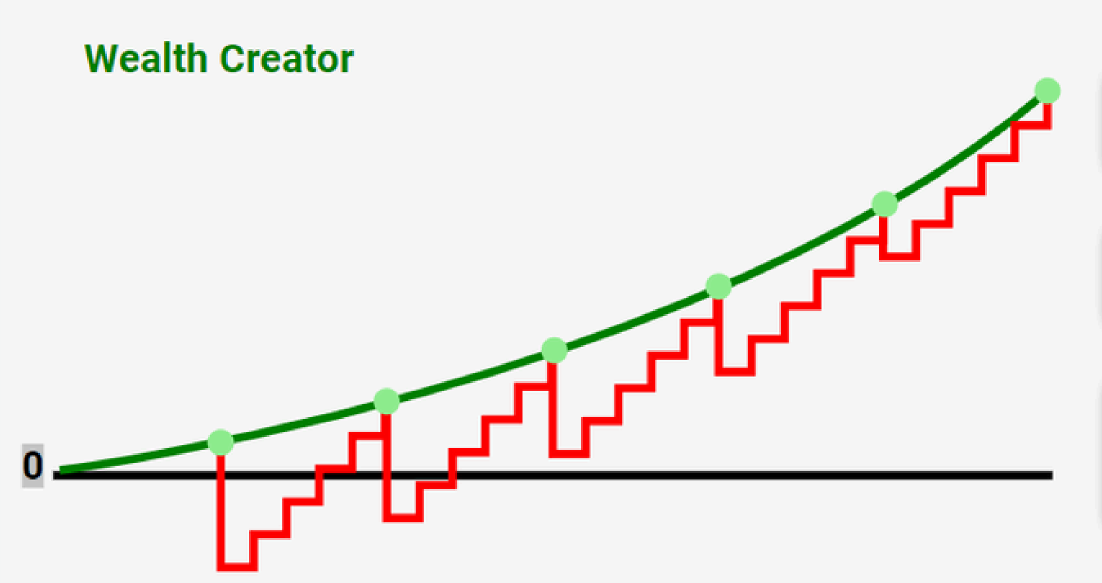
The Wealth Creator is what people should strive for. To make the move from Saver to Wealth Creator requires a shift in mindset, brought through knowledge.

Our present behaviours have been ingrained from our childhood. If the parents were spenders, chances are the children are as well. If they are savers, like many European and Asian cultures, then the children emulate that as well.

So what does the Wealth Creator profile look like? It is just an extension of the Saver profile.

The Wealth Creator lives well above the zero line. They save and continue to let their savings compound uninterrupted (green line). When it come to making a purchase, they do not take money from their savings. Rather, they use their savings as collateral and borrow for the purchase like the spender (red lines). Overtime they repay the purchase from cash flow as they let their savings continue to grow uninterrupted.

This is where it gets interesting. Many will argue it depends on the rate of interest you are earning. You could also argue its keeping your capital intact. This is part of the discussion is beyond the scope of this booklet.



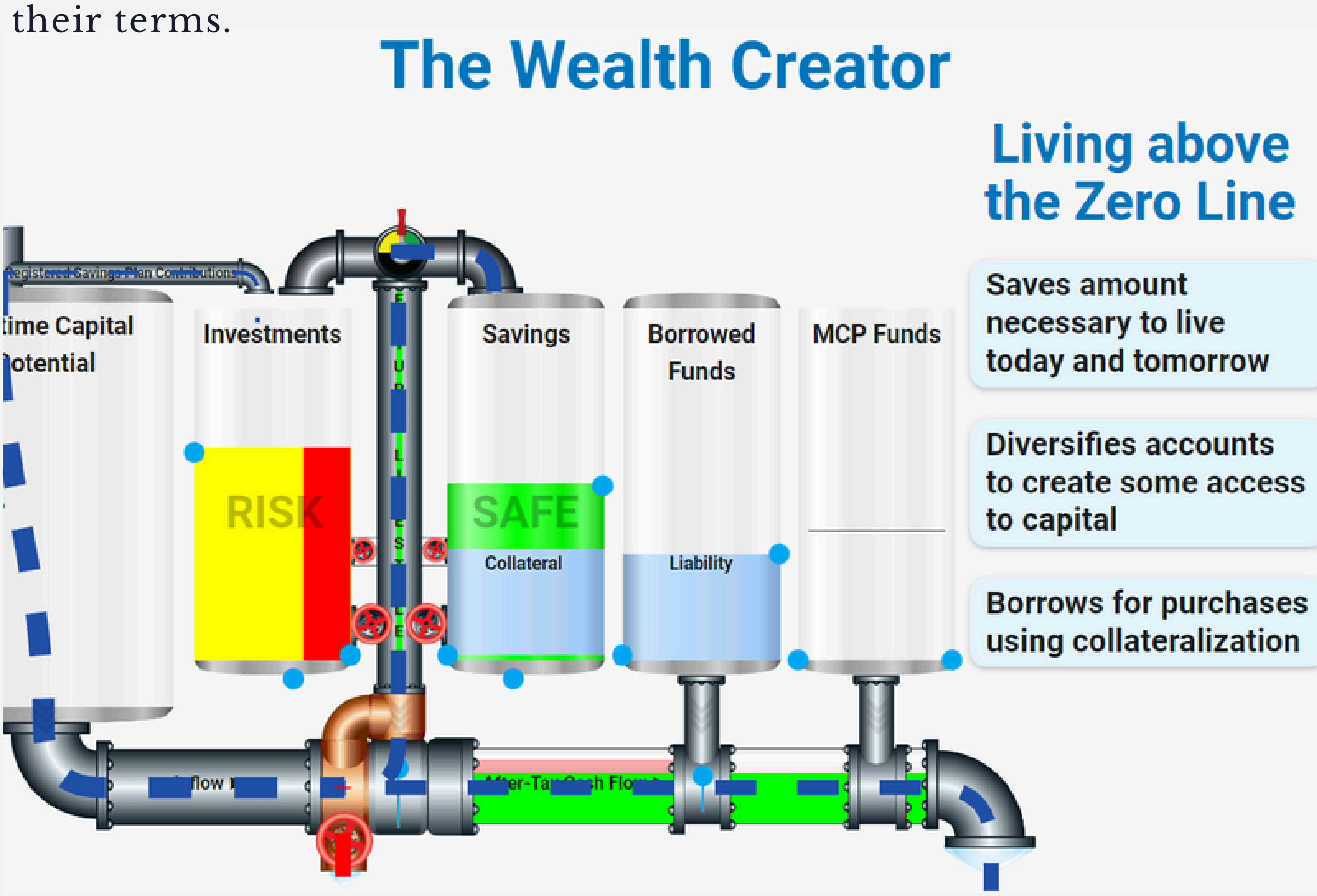
Wealth Creator & L.U.C.K.

Wealth Creators take a completely different approach to their finances. The biggest difference is that they want L.U.C.K., which is Liquidty, Use, Control and Knowledge.

1. Liquidity - they want to be able to access their capital at any time.
2. Use - ability to reallocate capital for other opportunities.
3. Control - they like to control the process when they access capital.
4. Knowledge - that their money is working for them all the time.

The way in which they create L.U.C.K. is that they are predominantly Savers. Where they differ from Savers is that do not dip into their savings. Instead, they use Other People's Money (OPM) by securing their assets. This allows for their capital to continue to compound further.

You will notice that a Wealth Creator has multiple tanks and each tank has a purpose and they keep filling those tanks so they can access capital on their terms.



Summary

No one wants to live below the zero line, that is a given. A higher income does not guarantee you won't be a Spender. There are many high income earners that end up doing consumer proposals because they let their lifestyle take over and they finance everything. Changing the Spender mindset can be done with the right approach and coaching. Just like everything else, it takes work.

Savers do not believe in financing because of the interest charged. What they do not realize is that they are actually "self financing". The self financing comes from the fact that the savings are drained for the purchase and the interest earned on those savings has now stopped. Moving from a Saver profile to the Wealth Creator just requires an increase in the knowledge base and sticking to the strategy.

Wealth Creators appreciate how hard it is to save that money and prefer to use Other People's Money (OPM) when they can. They let their savings compound uninterrupted. They also want easy access to their capital to take advantage to grow their wealth through further investment and on their terms.

The biggest challenge is, as a society we have been programmed to spend. What's the first thing people think about when presented with a windfall, or the hopes of one (lottery)? They talk about how they will be spending it. Instead, we need to think of money as a tool and how you make it work for you.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