Dynamics of Financial Freedom

HOW TO USE THE DYNAMICS OF FINANCIAL FREEDOM

The fact that you have decided to use the *Dynamics of Financial Freedom* indicates that you have already attained a certain level of success, but recognize your potential for further growth. The *Dynamics of Financial Freedom* assumes that you are willing and ready to take personal responsibility for insuring your financial future.

The program contains no magic formula for producing wealth. It does, however, provide you with some basic financial concepts that relate to earnings, savings, and investments. Through aggressive application of these basic principles, you can manage and multiply your personal wealth many times. You can learn to recognize and capitalize upon opportunities you encounter.

The *Dynamics of Financial Freedom* explores in depth the attitudes and habits that are necessary for success in the accumulation of wealth. It presents workable, proved guidelines for the formulation of plans to achieve financial goals; it provides tools which you may use to increase and sustain personal motivation to achieve your goals for earnings, savings, and investment.

PROGRAM METHODS

The *Dynamics of Financial Freedom* has been designed for your convenience. Using the program requires an absolute minimum of time in a personal schedule that is already crowded with commitments and responsibilities. The portability of your cassette tape player allows you to listen to the material wherever you go. You can listen as you drive, as you relax, as you dress in the morning or as you fly to business appointments. Less than thirty minutes daily can bring pro-

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ductive results. As you listen or read, you internalize the concepts of the program and assimilate its inspirational ideas and action-stimulating concepts. Reserve a specific portion of every day to use the program.

The ease of use is not a measure of the value of the *Dynamics of Financial Freedom.* Daily exposure to this material — whether you listen or read — provides the benefit of one of the most powerful learning techniques known: spaced repetition. Ideas are seldom accepted after one exposure. Psychologists estimate that only after the sixth exposure is an idea likely to be accepted and internalized.

The impact of the powerful principle of spaced repetition works for you when you set up and follow a program of regular daily use. We recommend that you listen to a lesson each day for six consecutive days. Once or twice, follow the printed text of the narration as you listen. Underline ideas that are especially meaningful to you and make notes in the space provided about ways you may apply these concepts to your own financial situation. Give special attention to the charts and tables provided in the text.

As you read and make notes while you listen, you gain the added benefits of multi-sensory impact — the simultaneous involvement of vision, hearing and touch. Educators who have studied the learning process agree that learning is enhanced and speeded when several senses are involved in an experience. Some ideas may be readily accepted through listening, while others remain vague or may even be passed over until they are read. Whether you read or listen, however, you find new shades of meaning and additional concepts each time you review the lesson.

An important part of the multi-sensory impact of the program is provided by the *Plan for Financial Independence.* Its materials will help you apply the concepts of the lesson to your own situation so that you may begin to develop a personalized *Plan for Financial Independence.*

Used systematically, the program becomes a continuing reference manual to which you return time and again for reinforcement of ideas and concepts as you implement your *Plan for Financial Independence* and begin to reach your financial goals.

You have made a first investment in yourself and in your future financial freedom. Remember that it is impossible to become financially independent in any vague or general manner. Financial independence must be specifically defined through crystallized goals and firm priorities supported by an active plan for their achievement.

Properly used, the *Dynamics of Financial Freedom* will help you to crystallize your thinking in the all-important areas of goal setting for financial independence.

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Willingness
+
Responsibility
of
Your Future
⇒ $\boxed{\text{Apply Principles}}$ ⇒ Financial Freedom

Priorities ↓

Motivation → $\boxed{\text{Active PLANS} \rightarrow \text{Action}}$ ⇒ Crystallized GOALS → Results / Achievements

↑ Tools

Results
Achievements
Earnings
↓
Savings
↓
Investments

Assimilate Concepts

1. Listen
2. Read
Repetition
3. Make Notes
4. Apply

LESSON ONE

Dynamics of Financial Freedom

BORN TO BE WEALTHY

YOUR INNATE POTENTIAL FOR WEALTH

One of the easiest methods for insuring a large attendance at any kind of meeting is to announce that the topic will be money. The power of attraction exercised by money lies in the fact that money provides us with the means of supplying many of our needs and wants. Money serves as a badge of status, a symbol of ingenuity, or a coat of arms for initiative and responsibility.

Whatever money means to you, the truth is that you were born to be wealthy. One of the basic needs we all experience is the need for achieving independence, and in a free economy this is often expressed in terms of financial freedom. We were born with the capacity to be rich, to subdue the earth and to rule over it. The fact that a large percentage of the earth's population still exists in poverty and want is a result of the failure to realize our full potential — to become what we were created to be.

Not only has mankind in general failed to realize its full potential, individuals also rarely use a significant portion of their full potential for success and achievement; it is allowed to lie latent within. Very few have even put forth any real effort to make more than a bare minimum of the money they could make in a lifetime. One reason for this is the difficulty they experience in visualizing themselves as they will be twenty, thirty, or forty years in the future.

Past experience indicates that among 100 of today's twenty-five-year-olds who reach age sixty-five:

1 will be well-to-do;
16 others will have higher-than-average income;

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45 will earn approximately an average income;
22 more will be self-supporting, but below average in income
6 will be so near poverty that they barely get by; and
10 will actually be on some kind of public assistance program.

These statistics do not alter the fact that it is a characteristic of human nature to seek financial freedom. It is important to realize that financial freedom does not mean the same thing to every individual. It is not necessary to acquire your own business in order to gain wealth or to assure that you are financially self-sustaining. It is not necessary to follow any one specific plan of investment.

A DEFINITION OF FINANCIAL FREEDOM

What then is financial freedom? Obviously, it does not mean the same thing to every person. What is wealth to some would be bare existence to others; for the meaning of money is found in motives, attitudes, and values. This truth is not intended to condone or promote complacency, but to encourage the development of a clearly-defined value system in relation to wealth. In that context, consider this definition of financial freedom:

> *Financial Freedom is the ability to live for the remainder of your life without outside help, working if you choose, but doing so only if you desire. It is the ability to have the things you want and need, despite the occurrence of any other than the most catastrophic of outside circumstances.*

The extent or degree of your financial freedom is determined by a number of factors, most of which involve control. It depends partially on the number of years available to reach your financial goals, a factor which you may not completely control. It depends even more heavily, however, on factors such as the attention you give to the task, the desire you experience, the values you cherish, and the self-image you adopt. All of these factors can be controlled. The *Dynamics of Financial Freedom* has been prepared to show you how to exercise that control.

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TABLE ONE: $1,000 TO $1,000,000 BY COMPOUND INTEREST

Growth pattern of a single thousand dollars invested at 10% interest per annum, compounded and left intact, principal and interest, until it reaches a million dollars.

End of Year	Cumulative Totals	End of Year	Cumulative Totals
1	$ 1,100	36	$ 30,913
2	$ 1,210	37	$ 34,004
3	$ 1,331	38	$ 37,404
4	$ 1,464	39	$ 41,145
5	$ 1,611	40	$ 45,259
6	$ 1,772	41	$ 49,785
7	$ 1,949	42	$ 54,764
8	$ 2,144	43	$ 60,240
9	$ 2,358	44	$ 66,264
10	$ 2,594	45	$ 72,890
11	$ 2,853	46	$ 80,179
12	$ 3,138	47	$ 88,197
13	$ 3,452	48	$ 97,017
14	$ 3,797	49	$ 106,719
15	$ 4,177	50	$ 117,391
16	$ 4,595	51	$ 129,130
17	$ 5,054	52	$ 142,043
18	$ 5,560	53	$ 156,247
19	$ 6,116	54	$ 171,872
20	$ 6,727	55	$ 189,059
21	$ 7,400	56	$ 207,965
22	$ 8,140	57	$ 228,761
23	$ 8,954	58	$ 251,638
24	$ 9,850	59	$ 276,801
25	$ 10,835	60	$ 304,481
26	$ 11,918	61	$ 334,930
27	$ 13,110	62	$ 368,423
28	$ 14,421	63	$ 405,265
29	$ 15,863	64	$ 445,791
30	$ 17,449	65	$ 490,370
31	$ 19,194	66	$ 539,407
32	$ 21,114	67	$ 593,348
33	$ 23,225	68	$ 652,683
34	$ 25,548	69	$ 717,951
35	$ 28,102	70	$ 789,746
		71	$ 868,721
		72	$ 955,593
		73	$1,051,152

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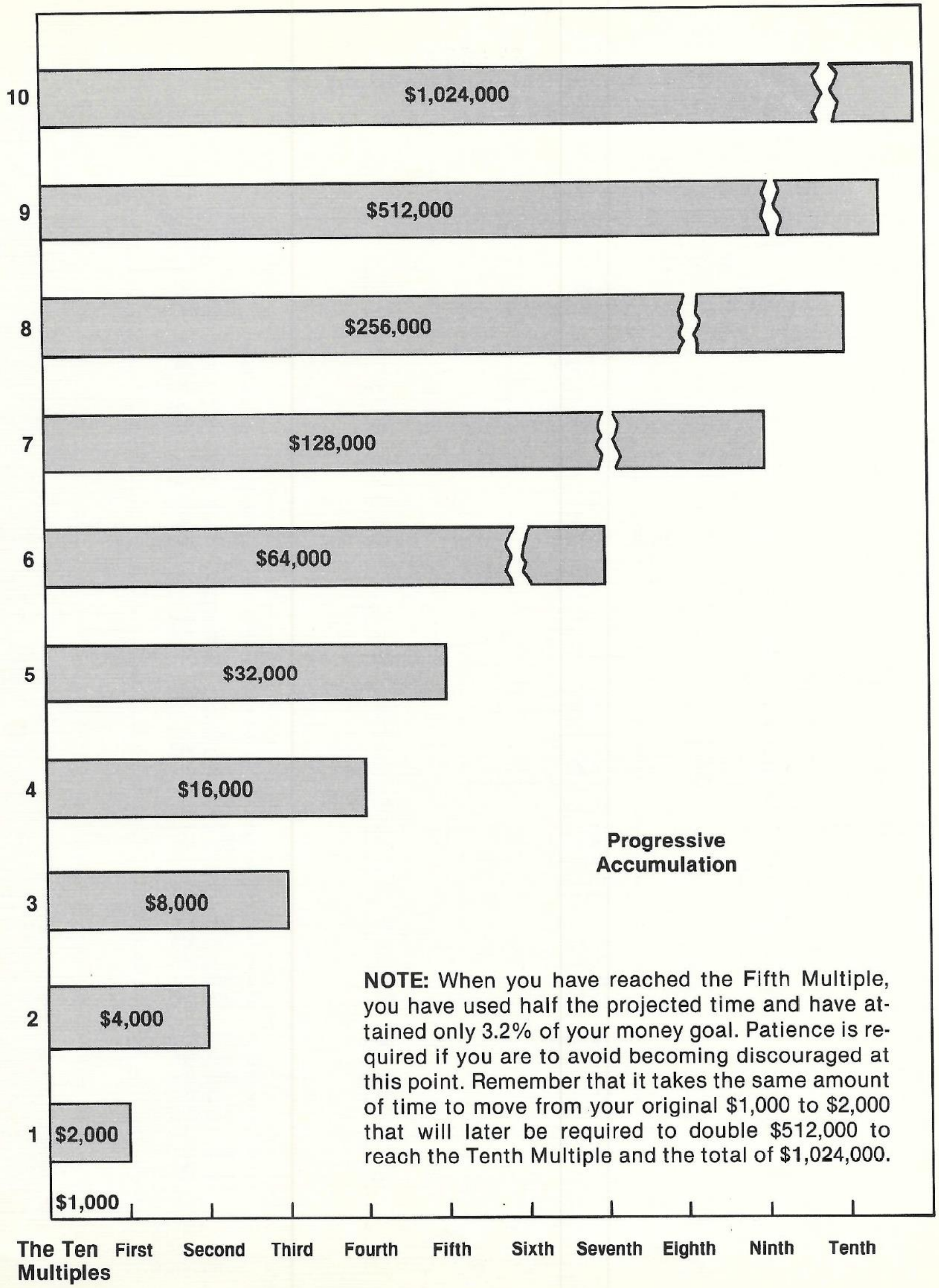
TABLE TWO: THE TENTH MULTIPLE



NOTE: When you have reached the Fifth Multiple, you have used half the projected time and have attained only 3.2% of your money goal. Patience is required if you are to avoid becoming discouraged at this point. Remember that it takes the same amount of time to move from your original $1,000 to $2,000 that will later be required to double $512,000 to reach the Tenth Multiple and the total of $1,024,000.

Suppose, for example, that you have spent your entire working life so far on a fixed income — working for someone else. The quest for financial freedom does not require you to quit that job and go into business for yourself, particularly if you are not ideally suited in terms of aptitude and interest for doing so. That action could even be the shortest route to financial suicide. But it is possible to use your present position as a stepping stone to a higher-paying job which will, in turn, enable you to set savings goals that will provide the money needed to begin a program of saving and investing.

More than likely, you have, or have access to, a thousand dollars. If you invest that amount of money at an interest rate of 10% per annum and leave both principal and interest to compound annually for 30 years, your investment would grow to $17,000. The only action required on you part would be to make the initial investment and wait. Table One shows the growth pattern of such an investment. You can even become a millionaire by this route, but it will take seventy-three years.

Perhaps you are in different circumstances. If you are extremely eager to achieve financial freedom, or perhaps like to make money as a means of self-expression, you would probably not be satisfied by that course of events. You might prefer to operate on the principle of the *Tenth Multiple.*

If you began by investing that same $1,000, how long would it take you to double it? Some people would do it in a year, but three years is probably realistic for almost anyone who sets out with that purpose. A glance at Table Two shows that when your original $1,000 investment has doubled the second time, you have $4,000; the third time, $8,000; the fourth time $16,000. By the time you reach the *Tenth Multiple*, in thirty years, your original investment will be worth $1,024,000. That may seem far away and out of reach, but it has been done many times — and often in a much shorter span of years than that. Once you double your thousand the first time and discover a formula that works, all that is necessary is to repeat it, each time on a larger scale. The critical factor is not the *amount* of the investment, but the *success* of your *formula*.

When you have reached the Fifth Multiple, you have used half the projected time and have attained only 3.2% of your money goal. Patience is required if you are to avoid becoming

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discouraged at this point. Remember that it takes the same amount of time to move from your original $1,000 to $2,000 that will later be required to double $512,000 to reach the Tenth Multiple and the total of $1,024,000.

THE MEANING OF FINANCIAL FREEDOM

What does financial freedom mean to you? It might involve one or more of these elements:

A feeling of security and freedom from worry about basic needs.

The ability to provide adequate education and a good start in life for your children.

The ability to provide luxuries for your family, as well as to fulfill their needs.

Leisure time for travel, hobbies, or family activities.

The ability to take advantage of business opportunities offering a high potential for gain coupled with a high degree of risk, with the assurance that any possible loss would not be catastrophic.

The ability to make significant contributions to philanthropic causes that appeal to you.

The opportunity to enjoy the thrill and excitement of entrepreneurship.

Spend some time this week clarifying your personal ideas about financial freedom and discovering your own value system.

> The *Plan for Financial Independence* that is provided as a part of the *Dynamics of Financial Freedom* will guide you in the process of clarifying your personal value system. Read **A Message From the Author** in that volume this week.

THE POSSIBILITIES FOR WEALTH

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While most of the creatures of the earth live from one day to the next at the mercy of their environment for sustenance, human beings have the unique ability to reason, to think, to adapt, and to alter both their surroundings and themselves. In other words, we can create our environment rather than be victims of it. It is the basic creative urge and desire, the ability to grow that makes financial freedom possible.

Nature herself gives us the example of abundance. The farmer plants, then must thin out the plants that germinate in order to provide adequate room for the crop to mature. We continue to learn newer and better methods of obtaining and using the mineral wealth and resources of the earth. Scientists tell us that the seas that cover a large portion of the planet contain untold riches which we are just beginning to consider as sources of additional wealth.

The abundance of wealth and riches in the world around us is ours to claim and possess. You may choose to remain a pauper or you can become financially independent, depending upon the response you make to the world's abundance. Science tells us that matter is indestructible. You cannot destroy matter, but you can modify it, transform it into new forms, and rearrange it for new purposes. That ability — that creativity — is the basis of new forms of wealth that make it possible for more and more people to become rich with every passing day.

It is possible for all people to become rich at the same time. It is not necessary for one person to become poor merely because another has become wealthy. The proof of this truth can be seen in the improvement that has taken place in the standard of living in the United States during the last half-century. The increased ease of living and the enjoyment of luxuries achieved by many have done nothing to diminish the possessions of others. The world contains plenty of wealth for all; for wealth, like love, grows as it is distributed. The more you pour out, the more there is to pour.

Suppose, for example, that you invest a sum of money in a plant or factory that manufactures a useful product. Your

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own wealth is not diminished. Although you have spent your cash, you have acquired assets that are worth as much or more than the money itself. The land upon which your factory is built is worth more than in its unimproved state. The money you spent has gone to contractors, laborers, and suppliers who have the benefit of its use.

But the story does not stop here. As you begin to operate your business, you pay additional money to suppliers of raw materials, to laborers, and to others involved in developing and marketing your product. In turn, customers pay you for the completed product. You now have available in money a profit on your investment. You still have the tangible assets of your factory and the intangible asset of your ability to make even more profit in the continued marketing of your product.

Yet the process continues. The customers who purchase your product are no less wealthy because they have given you their money. They have the product and the enjoyment and benefits it brings to their lives. The workers who participated with you in the production of the product have their wages which bring them the comforts and necessities that make life enjoyable.

Wealth increases whenever people invest their time, exercise their efforts, and use their assets.

You have probably heard cynics say that there is no longer the possibility for building a great fortune that existed in the earlier part of this century. They cite high taxes, high labor costs, and government restrictions. If you accept these judgments, you will indeed find it impossible to achieve financial freedom. If, however, you recognize and acknowledge the world's abundance and determine that you will create your own share of it, you transform the difficulties into challenges and the obstacles into opportunities.

The greatest progress often comes during periods of adversity. Problems and difficulties act as springboards for creativity when you face them with the positive expectation of success.

MONEY AS AN IDEA

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Historically, authority and power have been vested in ownership. The person with the most tangible goods has always possessed an advantage; for such goods may be traded for other assets — labor, raw materials, or additional goods. But tangible wealth is cumbersome to carry around; so a substitute has been devised — money — a token which represents valuable possessions. Money itself has no intrinsic value. It is simply printed paper or minted metal worth no more than other paper or metal of comparable size and quality. What makes it different is its exchange value.

The paper currency now in circulation consists merely of promissory notes guaranteed by the Federal Reserve System. Actually, it is backed only by the faith people have in the United States government. The same is true of people. Your value lies in what others believe about you — or more exactly, in the value you place on yourself and, in turn, reflect to others. Your value is based on belief and trust — not on tangible possessions. Understanding this concept is vitally important to your desire and ability to attain financial freedom.

Most people respect money — cash money — although few wealthy people have a lot of cash. One man of wealth put it like this: "A man who doesn't spend his time working is a disgrace, and money that is not working is even more disgraceful; it doesn't even have any aches and pains to excuse it." Most of the world's money is tied up in assets other than cash while business goes on through credit. Some economists even predict that the credit card will eventually replace currency for the average consumer. There is never as much money in circulation as there is business transacted in a day.

Suppose for example, you take a client to lunch and pay the restaurant $20. The restaurant owner uses the $20 to pay his supplier for fresh vegetables. The supplier, in turn, uses the $20 to pay a truck driver who delivers the vegetables from the truck farm. The driver then buys food and clothing for his family. Transactions totaling $80 take place rapidly using only the original $20.

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This illustration makes two points: first, the importance of cash is higly exaggerated; second, money is only an idea. Real wealth is the possession of the assets such as securities, real property, and equities that money represents.

Another important truth about money is that its value is variable and depends upon what you buy, when, and where. Of course, a ten dollar bill does not mysteriously change to a twenty or a fifty, but its value is variable. In the hands of a foolish or extravagent spend-thrift, a ten dollar bill might purchase only one dollar's worth of goods. At a different time, in the hands of another person, the ten dollars might be used wisely to buy goods that can become worth twenty dollars. One familiar example of the fluctuation in the value of money is seen in the numerous advertisements of inventory or stock liquidation sales in the early months of the year when merchants are willing to sacrifice a portion of their profit to secure the cash needed to pay taxes in April. At such time, the consumer's dollar is worth more; but when shortages of some vital product cause prices to go up, the consumer's dollar purchases less.

The fluctuating value of money is only one of many variables to be considered in planning for financial freedom, but it is a factor that cannot be overlooked. While the impulse buyer is not likely to become financially independent, neither is the overly cautious. Those who really know money — with all its characteristics and foibles — and use it with judgment and daring gain the prize of financial independence.

Financial freedom is available, but you have to claim it by paying the price, for nothing worthwhile is ever completely free. The rewards, however, are well worth the effort. Achieving financial freedom, whatever that means to you personally in dollars, is not nearly as difficult as the pessimists of the world would have you believe. Neither is it so far away and out of reach as you may think. Continue to read and listen to the lessons in the *Dynamics of Financial Freedom* with creative thoughtfulness. Analyze the ideas and methods you find in the program to determine which ones are best suited to your own needs and interests. Use the materials in the *Plan for Financial Independence* to develop your own strategies for achieving financial independence.

At the end of each lesson in the *Dynamics of Financial Freedom* some suggestions will be made to help you develop your *Plan for Financial Independence*. Remember to follow the suggestion to listen to each lesson once a day for six consecutive days. At some time during the week, set aside some time to work in the *Plan for Financial Independence*. Turn to the various sections and become familiar with its structure. Do not attempt to absorb immediately all of the processes and ideas presented. If you follow the systematic suggestions at the end of each lesson, your plan will evolve gradually, and confidence in your ability to succeed will grow as your plan takes shape.

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Financial Freedom – the ability to live without having to work.
+ have the things you need and want

You can Control the following factors:

- Attention you give to tasks
- Desire you experience
- Values you cherish.
- Self-Image you adopt.

The Meaning of Money depends on

- Motives
- Attitudes
- Values

Why Financial Freedom?

Feel Security + Freedom

Provide – Education
– Luxury

Have Leisure Time

Take Advantage of – Business Opportunities

Make Contributions to Philanthropic Causes

Have the Opportunity of Entrepreneurship
– Thrill
– Excitement
– Provide Jobs

Clarify your own ideas about Financial Freedom
– Be, Do, Have, Go wherever you want whenever you want

Discover your own Value System – Freedom, Joy, No Stress, Excitement,

LESSON TWO

Dynamics of Financial Freedom

BE FRUITFUL AND MULTIPLY

THE TENTH MULTIPLE

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Financial freedom follows your development of the ability to multiply your resources rather than merely adding to them. To "be fruitful and multiply" requires that you develop the monetary values, the talents and the abilities you now possess and that you acquire others as well.

Learning to grow financially is much like learning other skills. Once you master the basic attitudes and habits, skills multiply. You no longer merely "add to" what you already know. For example, a beginning skier often feels overwhelmed by all of the principles that must be exercised simultaneously. But once the skier internalizes the concept of maintaining the correct body posture with flexed knees, confidence increases, and control in all sorts of situations becomes automatic. The new skier has not only "added" the ability to maintain correct body posture, but has "multiplied" existing skills. It becomes possible to take any type of slope confidently, to maintain control over icy spots, to make turns of all kinds, and to execute jumps, the slalom, and other specialized moves. A sudden multiplication of expertise brings new exhilaration to the sport.

Learning to acquire wealth or financial freedom follows the same pattern experienced by the skier. As you internalize the basic attitudes and habits needed for creative money management, your skills multiply. You are suddenly free to recognize opportunities and to turn them to your advantage.

Lesson One (page 4) included a table outlining the Tenth Multiple. If you have not already done so, fix this table in your

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mind. You will note that a single thousand dollars doubled to the Tenth Multiple yields more than one million dollars. A person on a fixed income may feel that achieving rapid multiples of $1,000 is virtually impossible. Independent business people, however, have more flexibility in controlling their growth and income. Most entrepreneurs feel that such a goal is well within the realm of possibility, and many are able to achieve the Tenth Multiple in much less time than those who live on fixed incomes.

Whatever your financial circumstances might be, the principle of the Tenth Multiple can operate for you. It can help you achieve your goals. Select a method that suits you and your circumstances for the moment and set a date for achieving the first multiple. Do not be surprised, however, to find that you achieve your goal ahead of schedule and then shoot at an accelerated variation of the Tenth Multiple. As you progress through the *Dynamics of Financial Freedom,* you may well find your attitudes and perspective changing. You begin to see possibilities previously overlooked. Your vision expands.

Table Two — The Tenth Multiple — focuses on only one ingredient of the Tenth Multiple: the amount of money invested (Lesson One, page 4). You have probably already realized, however, that attainment of the Tenth Multiple depends upon at least four variables:

1. The amount of money invested;
2. The rate of interest or speed at which the money grows;
3. The total accumulation of principal and interest; and
4. The elapsed time.

Vary any one of these four ingredients and you create an entirely new situation. It is similar to variations on a musical theme; the principle remains the same, but the results emerge in an entirely different pattern.

THE SAVINGS ATTITUDE

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Financial freedom begins with the savings attitude. George S. Clason's legendary story, *The Richest Man In Babylon,** lists three secrets of success in acquiring wealth:

1. Accept the principle that "a part of all you earn is yours to keep."

2. Learn to live on less than you earn so that you can save.

3. Let the money you save and the return it earns work to bring you additional income.

Too many people — especially those living on a fixed income — never think to pay themselves first. We are so conditioned by attractive advertising and easy credit that we spend our income on status symbols which actually have little real value for us. We pay the butcher, the baker, and the candlestick maker first; then, if there is anything left over, we pay ourselves. Too often, nothing is left.

Once you internalize the concept that you deserve to be paid from your income, it is then necessary to learn how to live on less than you earn so that paying yourself does not create a burden of debt that will damage your financial credibility in the community and endanger your financial stability. This leads to the third secret of acquiring wealth: investing your savings and the added income it brings to build financial freedom. It is at this point that you are ready to consider the variations on the theme of the Tenth Multiple. Let's examine several of these to illustrate the truth that people of different backgrounds and circumstances can all achieve financial freedom.

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*Cassette tape condensation is available from your SMI Distributor.

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A SINGLE THOUSAND

Table One, which you examined in Lesson One (page 3), showed you that it is possible to amass more than a million dollars through the investment of a single thousand dollars at 10% per annum. Merely by waiting, the million dollars is yours. The disadvantage of this approach to financial freedom is that it takes almost seventy-three years to reach the Tenth Multiple, and by then inflation may have eroded much of your money's buying power. The probability is also high that you will have little time left to enjoy the fruits of your profits — but somebody else will. Perhaps your son or daughter or a grandchild would enjoy the financial freedom provided by your savings.

Skeptics may point out that it is difficult to find a way to receive 10% interest on an investment, but this is not true. Over a long period of time, the rate of total return on well-managed stocks of both the American and New York Stock Exchanges and the Over the Counter Market has reached that figure considering all applicable facets such as stock dividends, stock splits, increased market value, and cash dividends. In fact, many real estate investors regularly realize much more than 10% return on investment. It is, then, not only possible, but quite probable that you can realize this rate of interest provided you develop your personal investment plan and operate it successfully.

Of the four elements involved in reaching the Tenth Multiple, time is the only one which cannot be altered. You can neither speed it up, nor slow it down. If you choose the investment of a single thousand dollars as your method for achieving the Tenth Multiple, use Table One (Lesson One, page 3) to determine the age at which you might expect to reach this goal. The table will also show you what you can expect to have at any point along the way. Suppose you are now 21. You can readily see that at age 65, you will have more than $65,000. That is certainly not bad for a single thousand-dollar investment to which nothing was added during the working years of your life.

Of course, you may not have to start at the bottom. Perhaps you have an inheritance or a savings of, for example, $10,000, which you could invest now at the 10% rate. This would let you enter the money game approximately at the 25th year level. You would reach the goal of $1,000,000 in only 48 years instead of 73.

If you choose this approach to the Tenth Multiple as your plan for gaining financial freedom, it is important to examine another possibility. In addition to investing the original thousand, plan to continue the savings habit. Especially for the person on a fixed salary, some savings in a Bank or a Savings and Loan Association or at least some cash value in a life insurance policy is extremely important. Such liquid funds prevent, in times of emergency, the need for liquidating an investment and interrupting the schedule for reaching the Tenth Multiple. Even if the emergency fund proves inadequate, you may be better off borrowing than to break the sequence of your Tenth Multiple investment. The very fact that you borrow reinforces the savings habit; because you know a loan must be repaid, you will be motivated to meet the obligation. Your Tenth Multiple investment can easily serve as collateral for such loans.

Although you may decide to follow this basic pattern of investment for reaching the Tenth Multiple, remember that it is not unusual even for a person on a fixed income to upgrade the chosen method of reaching the Tenth Multiple while progressing through the program. Now let's explore some other variations.

A THOUSAND A YEAR

If you do not like the idea of waiting 73 years to reach the Tenth Multiple from investment of a single thousand dollars, you can choose another variation. For example, one of the factors involved in reaching the Tenth Multiple is the amount of money invested. We have already mentioned the possibility of entering the money game at a higher level with a larger sum of money; but if you don't have a lump sum, you can still use a short cut with a similar cumulative effect. Even if you are on a fixed income, you may find it possible to reserve at least a thousand dollars a year for investment.

Saving and investing a thousand a year has many advantages in support of your goal to achieve financial freedom.

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Perhaps the most important of these is the value of forming the savings habit. Once you have formed this habit, you can make much faster strides toward your goal of financial independence than you could make with a single initial investment. Examine Table Three (page 7). It shows that the plan of adding $1,000 each year to your investment enables you to reach the Tenth Multiple in 48 years — a considerable savings in time over the 73 years required to reach the Tenth Multiple with one lump sum investment.

If you are a young person just beginning your career, you might reasonably expect to reach the Tenth Multiple by this method at or near your time of retirement. Suppose, however, you anticipate that you have only 35 working years left in which you might be able to add to your investment. Notice that at the end of the 35th year, your investment fund will have reached almost $300,000. Compare this figure with those given in Table One, and you will see that at that point, you can still reach your goal of the Tenth Multiple in less than 14 years without adding any additional investment. This represents only a few months more than the time required had you continued to add $1,000 per year. The compounded annual interest after 35 years dwarfs any added investment. Make the comparison and you will see that it is true. That is one of the often overlooked secrets of the Tenth Multiple. The more you accumulate, the faster it grows.

Of course it is entirely possible that in some years, you will be able to invest more than the thousand a year which you might choose as an original goal. As your family grows older and children leave home, expenses may decrease dramatically. At the same time, you may be reaching peak earning capacity and have a larger income. If you are an independent business person, you can take advantage of especially good years to make additional investments.

TABLE THREE: A THOUSAND A YEAR

Growth pattern of an investment of a thousand dollars each year invested at 10% compound interest per annum and with principal and interest left intact until a million dollars is reached.

End of Year	Cumulative Totals	End of Year	Cumulative Totals
1	$ 1,100	26	$ 120,100
2	$ 2,310	27	$ 133,210
3	$ 3,641	28	$ 147,631
4	$ 5,105	29	$ 163,494
5	$ 6,716	30	$ 180,943
6	$ 8,487	31	$ 200,138
7	$ 10,436	32	$ 221,251
8	$ 12.579	33	$ 244,477
9	$ 14,937	34	$ 270,024
10	$ 17,531	35	$ 298,127
11	$ 20,384	36	$ 329,039
12	$ 23,523	37	$ 363,043
13	$ 26,975	38	$ 400,448
14	$ 30,772	39	$ 441,592
15	$ 34,950	40	$ 468,852
16	$ 39,545	41	$ 536,637
17	$ 44,599	42	$ 591,400
18	$ 50,159	43	$ 651,641
19	$ 56,275	44	$ 717,905
20	$ 63,002	45	$ 790,795
21	$ 70,403	46	$ 870,974
22	$ 78,543	47	$ 959,172
23	$ 87,497	48	$1,056,189
24	$ 97,347		
25	$ 108,182		

NOTES

ACCELERATED RATES OF RETURN

Another variation on the Tenth Multiple formula is the rate of growth of your investment. Even the conservative investor usually finds it possible to earn a 10% annual return on investments. With more aggressive strategies, however, a higher rate of return may be realized. Tables Four and Five (Lesson Two, pages 9 and 10) show the growth pattern of a single thousand dollar investment at the rates of 15% and 20% interest per annum. Invested at 15% the single thousand dollar investment reaches the Tenth Multiple in only 50 years. At 20%, the goal is achieved in 38 years. Obviously, investments that make returns at this level involve greater risks than ventures paying a lower rate of interest. This is one of the considerations to be faced as you design your own plan for reaching the Tenth Multiple. You must possess the emotional and financial ability to bounce back when some setback is experienced and to make the necessary adjustments to your plan of action that will put you back on track.

Tables Six and Seven (Lesson Two, pages 11 and 12) show the growth patterns of an investment following the plan of a thousand dollars each year invested at 15% and 20% interest rates. These charts show that an investment which returns 15% yearly will bring you to the Tenth Multiple in 35 years, while a program based on 20% return will reach the goal in a little under 29 years. Study these charts and see how they can best be adapted to your own circumstances and strategies. You may wish to make an income projection for the next 5, 10, or 20 years estimating total income according to your goals for your own career development and the amount which you can reasonably expect to add to your investment each year. Make your own chart to determine your expected progress in reaching the Tenth Multiple.

TABLE FOUR: A SINGLE THOUSAND AT 15%

Growth pattern of a single thousand dollars invested at 15% interest per annum, compounded and left intact, principal and interest, until it reaches a million dollars.

End of Year	Cumulative Totals	End of Year	Cumulative Totals
1	$ 1,150	26	$ 37,857
2	$ 1,322	27	$ 43,535
3	$ 1,521	28	$ 50,066
4	$ 1,749	29	$ 57,575
5	$ 2,011	30	$ 66,212
6	$ 2,313	31	$ 76,144
7	$ 2,660	32	$ 87,565
8	$ 3,059	33	$ 100,700
9	$ 3,518	34	$ 115,805
10	$ 4,046	35	$ 133,175
11	$ 4,652	36	$ 153,152
12	$ 5,350	37	$ 176,125
13	$ 6,153	38	$ 202,543
14	$ 7,076	39	$ 232,925
15	$ 8,137	40	$ 267,863
16	$ 9,358	41	$ 308,043
17	$ 10,761	42	$ 354,249
18	$ 12,375	43	$ 407,387
19	$ 14,232	44	$ 468,495
20	$ 16,367	45	$ 538,769
21	$ 18,822	46	$ 619,584
22	$ 21,645	47	$ 712,522
23	$ 24,891	48	$ 819,400
24	$ 28,625	49	$ 942,310
25	$ 32,919	50	$1,083,657

TABLE FIVE: A SINGLE THOUSAND AT 20%

Growth pattern of a single thousand dollars, invested at 20% interest per annum, compounded and left intact, principal and interest, until it reaches a million dollars.

End of Year	Cumulative Totals	End of Year	Cumulative Totals
1	$ 1,200	21	$ 46,005
2	$ 1,440	22	$ 55,206
3	$ 1,728	23	$ 66,247
4	$ 2,074	24	$ 79,497
5	$ 2,488	25	$ 95,396
6	$ 2,986	26	$ 114,475
7	$ 3,583	27	$ 137,370
8	$ 4,300	28	$ 164,845
9	$ 5,160	29	$ 197,814
10	$ 6,192	30	$ 237,376
11	$ 7,430	31	$ 284,851
12	$ 8,916	32	$ 341,822
13	$ 10,699	33	$ 410,186
14	$ 12,839	34	$ 492,223
15	$ 15,407	35	$ 590,668
16	$ 18,488	36	$ 708,801
17	$ 22,186	37	$ 850,562
18	$ 26,623	38	$1,020,674
19	$ 31,948		
20	$ 38,338		

TABLE SIX: A THOUSAND A YEAR AT 15%

Growth pattern on an investment of a thousand dollars each year invested at 15% compound interest per annum and with principal and interest left intact until a million dollars is reached.

End of Year	Cumulative Totals	End of Year	Cumulative Totals
1	$ 1,150	21	$ 136,632
2	$ 2,472	22	$ 158,276
3	$ 3,993	23	$ 183,168
4	$ 5,742	24	$ 211,793
5	$ 7,754	25	$ 244,712
6	$ 10,067	26	$ 282,569
7	$ 12,727	27	$ 326,104
8	$ 15,786	28	$ 376,170
9	$ 19,304	29	$ 433,745
10	$ 23,349	30	$ 499,957
11	$ 28,002	31	$ 576,100
12	$ 33,352	32	$ 663,665
13	$ 39,505	33	$ 764,365
14	$ 46,580	34	$ 880,170
15	$ 54,717	35	$1,013,345
16	$ 64,075		
17	$ 74,836		
18	$ 87,212		
19	$ 101,444		
20	$ 117,810		

TABLE SEVEN: A THOUSAND A YEAR AT 20%

Growth pattern on an investment of a thousand dollars each year invested at 20% compound interest per annum and with principal and interest left intact until a million dollars is reached.

End of Year	Cumulative Totals	End of Year	Cumulative Totals
1	$ 1,200	16	$ 104,931
2	$ 2,640	17	$ 127,117
3	$ 4,368	18	$ 153,740
4	$ 6,442	19	$ 185,688
5	$ 8,930	20	$ 224,026
6	$ 11,916	21	$ 270,031
7	$ 15,499	22	$ 325,237
8	$ 19,799	23	$ 391,484
9	$ 24,959	24	$ 470,981
10	$ 31,150	25	$ 566,377
11	$ 38,580	26	$ 680,853
12	$ 47,497	27	$ 818,223
13	$ 58,196	28	$ 983,068
14	$ 71,035	29	$1,180,881
15	$ 86,442		

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THE KEY INGREDIENT — PATIENCE

NOTES

One of the most exciting facets of the Tenth Multiple can be seen in Table Two (Lesson One, page 4). If you begin your investment program with $1,000, by the time you reach the Fifth Multiple, you will have only $32,000, which appears to be a meager sum, compared to a million dollars. You are apparently only 3.2% of the way to success. The truth is, however, that at the point of the Fifth Multiple, you are halfway to acquiring $1,000,000! Actually, it is much easier to progress from the Fifth to the Tenth Multiple than it is from the First to the Fifth for several reasons:

1. In the beginning of your investment program, you have a small working base. You do not have the choice of putting your money to work in diversified areas as you have when you have reached the Fifth or a later Multiple.

2. As a beginning investor, you are likely to make some mistakes. This is to be expected. Resolve to profit from each mistake. As you gain experience, you will make fewer mistakes. In the beginning, you will need to do much studying, learning, and orientation as you manage your investment for the highest possible returns. After you have attained the first few Multiples, the time previously spent in basic study can be used instead for more careful management of your investments and more diversified exploration of investment possibilities.

3. The success you experience in attaining the first few multiples builds confidence. When you have achieved several multiples, you will have established a formula for success. To reach each successive higher plateau, all that is necessary is to repeat your formula.

All of this explains why a company established by one man may have experienced only modest success after 30 years. It is then passed on to his son and, seemingly, overnight, mushrooms. The son has merely built on the father's first few Multiples. Each new Multiple gained by the son is much more visible.

NOTES

All of these factors, when viewed positively, will help you develop the key ingredient to success in reaching financial freedom: patience. Without an understanding of the principle of the Tenth Multiple, it would be easy for a beginning investor to become discouraged and give up. Remember that it is the *multiple* you have reached — not the dollar amount — which indicates your position on the path to reaching your final goal. The years of youth are typically marked by a hectic pace that produces impatience as a side effect; but when you can visualize your ultimate goal and know that you are on track to its achievement, you experience a sense of accomplishment and success.

Have you ever helped small children plant a garden? If so, you have seen impatience in action. They eagerly dig the ground, drop the seeds, cover them up, and water them. But bright and early the next day, they are out looking to see the fruits of their labor, hoping against hope that the seeds have already sprouted. Unless you are watchful, the children may even stir the ground and uncover the seeds. If they do manage to leave them alone long enough for plants to begin to grow, they find it difficult to wait a sufficient length of time for the harvest; they may pull up potatoes and carrots to see if they are ready to eat long before the vegetables have had time to mature.

Many people try to acquire wealth in the same way children try to grow a garden. They have trouble waiting for results because they have no specific plan of action for reaching their goals. Achieving financial freedom is not like planting potatoes and carrots. It is more like planting an acorn to grow a giant oak. Such a project requires seed, planting, watering, and sometimes fertilizing. But it also requires patience. It is impossible to plant a tree and expect to enjoy its shade tomorrow, next week, or even next year. The novice investor sometimes becomes panic stricken if a stock drops a few points or real estate prices decline, and he sells at a loss. He is likewise jubilant if a stock or real estate appraisal goes up a few points and may sell to realize profits, only to see the value of the asset climb higher and higher while someone else realizes the benefits for which he was too impatient to wait. Financial freedom is seldom accomplished on the basis of day-to-day investment activity. Financial independence must be built. Because it is a process of "becoming," it requires time.

NOTES

Business statistics indicate that more new business ventures fail from under capitalization than for all other reasons combined. In other words, entrepreneurs are not the victims of mismanagement as much as they are of short-sightedness. They simply miscalculate how long it will take their particular money tree to take root and grow. They run out of capital before the tree is capable of bearing fruit. They fail to anticipate the need for patience.

In the world of professional football, several hundred rookies are draft choices each year, but only a handful manage to remain on the teams. The others aren't willing to wait, to pay the price of work and patience, and to earn their big chance. It ordinarily requires four to six years for a quarterback to earn a place as a starter. That's a lot of bench-riding, and many rookies find it difficult to make the transition from college stardom to the waiting and learning necessary to become a top-notch professional.

Acquiring wealth takes time and patience, but a definite plan substantially reduces the tendency toward impatience. Many people fail to achieve financial freedom because they have no plans, no concrete objectives, no track to run on. They make their target dates too definite, too unalterable, and too restricting. They forget patience, and if circumstances take an unexpected turn, they give up the plan as a bad deal and dash off in another direction. Patience is a far more important ingredient in your plan for financial independence than the economic conditions of the moment. In every decade of our history, some enterprising people have found it possible to achieve financial freedom. But those who refuse to learn and practice patience invariably fail.

Financial freedom is within the reach of even the most average individual. Any quality you lack can be acquired or developed. Any resource you need can be obtained if you approach obstacles creatively. Even the average person was born to be wealthy — destined to be fruitful and multiply. Why then, do so few people reach this status in life? They either lack belief in the possibility of financial independence, they lack a plan for its achievement, or they fail to exercise the key ingredient of patience.

NOTES

While you are listening to Lesson Two, read the introductory material to the section entitled **My Current Financial Position** in your *Plan for Financial Independence* and begin to respond to the **Self-Evaluation** instruments. They will help you crystallize your thinking about your own financial goals and the meaning of financial freedom for you.