

Seven cures for a lean Purse

This month I am doing a “review” on a book I recently read. It is said to be one of the simplest but most inspiring books ever written on how to accumulate wealth, by George S.Clason: *The Richest man in Babylon*. What makes it such an amazing book, is that it was first published in 1926, but the principles that come out of it, is still very much applicable today, eighty one years later!

So, what are these “success secrets”? Disappointing as it may be for the average person, there *are* no secrets revealed in this book! As you will find out in life, the “truth is always simple.”

Let me share these “cures” and truths with you.

The First Cure

“**Start thy purse to fattening**”, simply means that one should save at least 10% of your total income. Every month. It does not matter how you earn your income, whether it is being a waiter, teacher or economist. All of us have the same opportunity. Probably the most important matter in saving, or “paying yourself first”, is the desire to want to save, accumulate wealth and feel worthy of it. Learn to live from the 90% that is left over. Adapt to spending less than you earn. A strange truth is that people often say: *“when I ceased to pay out more than nine-tenths of my earnings, I managed to get along just as well.”*

The Second Cure

“**Control thy expenditures**”. Surprise, surprise? Or... NO surprise? Often I am asked, how can I save if I do not earn enough to pay for all my necessary expenses? Clason says this: *“That what each of us call our ‘necessary expenses’, will always grow to equal our income unless we protest to the contrary. Do not confuse necessary expenses with thy desires.”*

He explains that there are limits to everything you can buy or spend money on, whether it is traveling, eating or pleasures. And there’s a time limit in which you can study your spending habits of living and adapting by spending wisely, or reduce spending, and to eliminate certain things you spend on. Have a written budget.

”Only select the things that are necessary and others that are possible through the expenditure of only nine-tenths of thy income. Cross out the rest and consider them but a part of that great multitude of desires that must go unsatisfied and regret them not.”

“The purpose of a budget is to help thy purse to fatten. Budget thy expense that thou mayest have coins to pay for thy necessities, to pay thy enjoyments and to gratify thy worthwhile desires without spending more than nine-tenths of thy earnings.”

The Third Cure

“**Make thy gold multiply**”. The gold we may retain from our earnings is but the start. The earnings it will make, shall build our fortunes. A person’s wealth is not measured in the amount of money he saved up, but how much growth and interest the savings earned him. The principle of “interest on interest”, or “compound interest”, is also known as one of the “wonders of the world”.

In our country, not many people have experienced that wonder; as a nation we save less than one percent of our total income! Not to mention the amount of debt people carry as a burden. That is also the reason why only 6% of the population will, and can retire financially independent today. Inflation requires that one should seek for opportunities to earn interest on savings that would beat inflation. Let your money work for you over time.

The Fourth Cure

“Guard thy treasures from loss.” *“Gold in a man’s purse must be guarded with firmness, else it be lost.”* Every person with money should be aware of “plausible projects”. Often friends and relatives fall in a trap with the promise of high yields, just to loose their hard earned money. The first principle of investment is security of the person or company you invest with. *“Be not mislead by thine own romantic desires to make wealth rapidly”*. Make use of a trusted professional to give advice, and do not give your money to *“a brickmaker to buy you jewels”!*

“Guard thy treasure from loss by investing only where thy principal is safe, where it may be reclaimed if desireable, and where thou will not fail to collect a fair rental. Consult with wise men. Secure the advice of those experienced in the profitable handling of gold. Let their wisdom protect thy treasure from unsafe investments.”

The Fifth Cure

“Make of thy dwelling a profitable investment.” To own a home of your own, is probably one of the best investments one can make. *“To have a place of your own where children can play, and a wife can not only plant blossoms, but also herbs to feed her family... I recommend every man to own the roof that sheltereth him and his family”*.

“Thus come many blessings to the man who owneth his own house. And greatly will it reduce his cost of living, making available more of his earnings for pleasures and the gratification of his desires. This then, is the fifth cure for a lean purse: Own thy own home “.

The Sixth Cure

“Insure a future income.” Nobody knows how old he/she will be before they die. For that very reason, from a very young age, one has to start saving for retirement. There are only two things we can be sure of, and that is death and taxes, as the saying goes!

“...it behooves a man to make preparation for a suitable income in the days to come, when he is no longer young, and to make preparations for his family should he be no longer with them to comfort and support them.”

Clason makes the comment not to bury your treasures, because it can become the *“loot of thieves”*. In the modern day, yes, money can get stolen by thieves if you decide to keep it under your mattress, but other impacts like inflation and tax has to be considered as well. Another way to improve your income, according to Clason, is to buy property as an investment, and have a long term investment so that it can provide an income when you most need it, at retirement. Nothing new so far, I would say. Yet another way to save up for retirement income, is to put regular investments over a long term period, 20 years and more, into a diversified portfolio. It is guaranteed to be profitable, especially because of the positive effect of compound interest. *“provide in advance for the needs of they growing age and the protection of thy family.”*

Any tricks within this aspect? Not really, simply start saving early enough, and save enough!

The Seventh Cure

“Increase thy ability to earn.” Clason uses an example that differentiate between a wish and a goal. *“For a man to wish to be rich, is of little purpose. For a man to desire five pieces of gold, is a tangible desire which he can press to fulfillment.”* Desires should be simple and definite, according to Clason, and should be realistic and achievable. In other words, this translate into doing a proper retirement analysis (or get help to do it), and to start that retirement plan as soon as possible in life. Know what you want to achieve and revise the plan regularly. This also means you have to make sure that your earnings go up, to be able to save more. So make sure that you make progress in your job and increase the ability to higher your income. *“The more of wisdom we know, the more we may earn. That man who seeks to learn more of his craft, shall be richly awarded. The Seventh remedy for a lean purse is to cultivate thy own powers, to study and become wiser, to become more skillful, to so act to respect thyself.”*

“Many things come to make a man’s life rich with gainful experiences. Such things as the following, a man must do if he respects himself:

- *He must pay his debts with all the promptness within his power, not purchasing that for which he is unable to pay.*
- *He must take care of his family that they may think and speak well of him.*
- *He must make a Will of record, that in case the Gods call him, proper and honorable division of his property be accomplished.*
- *He must have compassion ... he must do deeds of thoughtfulness to those dear to him... within reasonable limits.”*

Truthfully, Clason had nothing new to say in his book, but why is it then, that *more than two million* of these books have been sold, and still most people do not manage to - start saving to fatten their purse?

- control their expenditures?
- make their gold multiply, by investing regularly?
- guard their treasures from loss?
- make of their dwellings a profitable investment?
- insure an adequate future income?
- increase their ability to earn?

When last did you revise your financial plan? Are you saving adequately and purposefully? Take this as a challenge, and phone us for assistance if you have not done something in the past year to “build” your financial plan.

Till next time! Spring is around the corner – enjoy the changing of the season!

Regards,

Estelle