

The Biggest Secret of  
**FINANCIAL  
SUCCESS**

for Ambitious and  
Progressive Kenyan  
Professionals



**Manyara Kirago**

# The Biggest Financial Secret

We all have the dream of building wealth and traveling around the world with no worries. Who doesn't want to have financial freedom and the ability to do what they want and when they want?



The hard part of this dream is most of us can't fathom reaching the dream. We might be deep in debt, in a low paying job, or be slow with our wealth creation. No matter the reason, the dream seems unattainable. Well, I want to stop thinking of excuses for why I can't reach the dream and figure out goals that will help me do it. I want the freedom to work based on my schedule. If I don't want to work for a few days or weeks, I want to have the ability to do that.

The bigger question surrounding this dream is how to create enough wealth to reach it. Building wealth requires many items to be fulfilled. You need to be out of debt, have an income, and some investment opportunities. You can't build wealth with just a savings account. It just doesn't happen. Sorry for those people who are afraid to invest, but if you want to reach financial independence, you better jump onto the investing train!

However, building wealth is simple. It does not require luck, genius, or special connections. You don't have to attend overpriced weekend financial seminars or learn the latest tricks and gimmicks sold by slick marketers. As John Bogle, who is founder and retired chief executive of The Vanguard Group, wisely stated, "The secret is there are no secrets." The truth behind how to build wealth is so simple that it can be explained in just three sentences:

- 1) Make more than you spend and invest the difference wisely.
- 2) Develop simple daily habits that result in wealth accumulation.
- 3) Own multiple sources of income

I know... you're probably a little disappointed.

You wanted something new, different, and clever – the missing ingredient that has held you back and will produce breakthrough results. The fabled "secret" every marketer tries to sell. Instead, I will be giving you something dangerously close to what our Grandma would have said. And it's not just me singing this song. These same truths were taught by Benjamin Franklin hundreds of years earlier and reiterated by numerous authorities ever since, including J. Paul Getty. It's timeless wisdom that has been proven over the centuries, and will also probably work for you (if you just put it into practice).

In short, if you want wealth in this lifetime with the highest probability of success, then these three sentences contain the essential wisdom you need to know.

# Spend Less Than You Make and Invest the Difference Wisely



The first sentence summarizes how to manage your personal finances so that you grow assets. It explains the importance of creating positive cash flow that you invest to produce additional positive cash flow. Notice how it's composed of three separate yet connected ideas to form a single concept:

- 1) Spend less
- 2) Earn more
- 3) Invest wisely

There are endless variations on how to achieve this objective, but they all follow two simple themes:

- 1) You can reduce spending immediately through various forms of frugality.
- 2) You can increase your income through various strategies including changing jobs, getting a raise, or starting a business.

In short, you must create a gap between how much you earn and how much you spend that results in savings to invest for growth and additional income. The twin themes of spending less and making more are not mutually exclusive, but they do require very different mindsets.

Frugality is about living on less and requires self-discipline. For most people, there is a feeling of sacrifice when following this path, thus making it difficult to succeed. If that's you, then frugality is a slow and difficult path to wealth because you will be in constant battle between lifestyle desires and financial freedom goals. For others, frugality is a pleasurable journey in simplification where fulfilment results from redirecting earned income toward financial freedom goals rather than squandering it on spending. It's not uncommon for extreme frugalists to save 70% of income and achieve financial independence in less than 10 years, but it's not everyone's cup of tea.

Another alternative is to raise the income side of the equation. The advantage to this approach is there is no theoretical limitation to how fast your wealth can grow because your earning capacity is unlimited. Many wealth experts teach the income side of the equation as the "fast path" to wealth; however, if you don't master the spending side of the equation, you still run a considerable risk of failure due to the all-too-common mistake of allowing spending to rise as fast as income.

The greatest wealth builders focus on both sides of the equation together. They maximize savings by controlling spending while growing income at the same time. It's the quickest, most certain path to increased savings for investment.

The third component to the equation – invest wisely – is also simple because everything you need to learn is available for free in the public domain. You don't have to take investment seminars or build extraordinary expertise. There are two well proven paths:

- 1) Paper Assets: Share ownership of a business that generates dividend income; royalties from patents and copyrights etc.
- 2) Real Estate: Direct ownership of positive cash flow real estate in your local area.

In summary, achieving financial freedom is quite simple. Spend less than you make and invest the difference wisely. Watch your spending until the income from your investments exceeds your expenses. At that point you're infinitely wealthy and financially independent. With that said, the sad truth is few will achieve financial freedom despite the desirability of the goal and the simple path you must follow to achieve it. The reason is explained in the second sentence.

# Your Wealth Is Determined by Your Habits



The reason so few people achieve wealth is because they don't adopt habits that lead to wealth. As you already know, the formula is simple and fully proven. The only thing remaining is to act with enough consistency to achieve the goal... and that's where the problems occur.

Here's the formula for how this works:

$$[(\text{Small, Smart Choices}) \times (\text{Consistency}) \times (\text{Time})] = \text{Wealth}$$

Procrastination is the single biggest wealth killer. You plan on getting around to it someday. You know what you should do but there is always some other priority. The kids need braces, the car needs repair, the kitchen needs renovation. Action

is where the rubber meets the road. It's one thing to know what to do, and it's something else entirely to get it done. That's why habits are so critical. Habits are the reason postal workers become millionaires while lottery winners go broke.

It doesn't matter if you look at the writings of Benjamin Franklin from 250 years ago or Stanley and Danko's bestseller *The Millionaire Next Door*. They all say essentially the same thing – the distinguishing characteristic of people who achieve wealth is they manage their money well. They have good money habits. They don't earn the most. They aren't the smartest. They don't have any special training. They just have good money habits – brain dead simple. The reason good money habits are essential is scientific and results from the mathematics behind how money compounds to grow into wealth. Minor changes done over prolonged periods of time can create massive results. It's an easy path to wealth. That's why daily habits are so important.

A daily habit of frugality saves small amounts every day that compound and grow over long periods of time to become substantial wealth. A daily habit of increasing your earning capacity through training and education will add small amounts every day to your income potential. Both daily habits will create an increasing spread between what you spend and what you earn, which will increase your wealth at an accelerating rate. This isn't rocket science. It's just daily habits dedicated toward a specific goal – building wealth. The habit causes the action which produces the result. It's simple cause and effect. Habits are the easiest and simplest way for you to cross the bridge between how to build wealth using the simple formula above, and doing what it takes to achieve the goal.

You don't have to intellectualize the process or overcome massive obstacles. You don't have to get ready to get ready. Instead, you just start today by adopting one habit that serves your wealth goals. Here are some potential starting points:

- 1) Sign up for an automatic savings program.
- 2) Opt-in to your company retirement plan (if they offer it).



- 3) Prepay a small amount on your mortgage.
- 4) Find an unnecessary expense and eliminate it.
- 5) Clean up clutter by selling unused assets (the extra car you don't really need, jewellery, etc.).
- 6) Repair something instead of replacing it.
- 7) Develop a niche expertise in your profession that commands a higher wage.
- 8) Start learning about asset allocation or investment real estate.

Just pick one habit and start today. Practice the habit until it becomes permanent, then pick another habit and do it again. Then another and another until you can see your wealth grow. The greatest obstacle to building wealth is procrastination. Habits are the simplest way to overcome procrastination and get into immediate action. Habits reduce the entire wealth building process into bite-sized pieces that are easy for anyone to digest. The compounded effect of all these tiny actions over a lifetime becomes wealth.

# Building multiple sources of income



What are Income Producing Assets? Income producing assets are tangible or intangible rights to something that can generate money for you. Cash accumulated over time that is deposited in a fixed deposit account in a bank generates interest income, therefore the pile of cash is an income producing asset. The same pile of cash, if kept under the pillow at home, is NOT an income producing asset. A stock portfolio that generates dividend income, rental properties, royalties from patents and copyrights and income from a business are also all examples of income producing assets. It is important to note that ownership of these assets is what entitles you to the cash flow generated by each. When you are an employee working for your boss, your pay check is not generated

from income producing assets. You don't own anything. You don't get paid when you stop working.

The focus of many of us is usually on working hard, getting promoted and growing that paycheck amount. Reality might strike us a few years down the road as mid-career crisis settles in. Sure, the paycheck has grown, but so has the pressure, hours and responsibilities. Many successful corporate professionals don't even get to take the time off they are entitled to. Many of us might start feeling stuck in a rut, the rat race as we know it. The paycheck is good, but is it good enough to compensate for the added changes in lifestyle that the individual had not planned for and absolutely hates? Not in many cases.

There are several other factors in the mix that can apply such as boredom, periodic self-reflection (the voice inside giving guilt), wanting more out of life, desire for more freedom and flexibility, desire to pursue their true passion and interest, etc. What you start seeing in later years is a shift in focus, a shift from growing that paycheck to a focus on creating more balance in life. We want to work less and play more, perhaps take that trip we have long postponed, spend more time with the family at home or re-establish that social life outside the office.

Truth is, many people don't realize what they signed up for when they first start working. After one reaches a certain point in wealth accumulation, it no longer is about money at that point for many. It is about freedom, flexibility and getting more out of life. The four obvious benefits of income producing assets are as follow:

**Create Balance** – Successful corporate professionals use income from alternative resources to supplement their income from employment. This allows them to work less, take more unpaid time off and enjoy life a bit more during their younger and healthier years.

**Alternative Lifestyle** – Many have quit their full-time jobs all together because the income from side businesses grows to the point of replacing income from employment.

**Early Retirement** – Establishing multiple streams of income on the side is a great way to early retirement. Many professionals don't really look forward to slaving away for 40 years to enjoy an average retirement. They are looking to expedite "quality" retirement or retire multiple times during their lifetime.

**Safety blanket** – Many professionals enjoy what they do. They love their jobs, who really enjoy their jobs, are very good at what they do and make very good money doing so. They too are interested in accumulating income producing assets, although for various reasons.

Accumulating income producing assets over time contribute to the fact that the rich get richer. The added advantage of these assets is that the more you accumulate, the more they exponentially grow. Income from one asset can be invested in acquiring another, and so forth.

Here is a quick example to demonstrate my point. You buy an undervalued rental property, you leverage the positive cash flow from rent, its equity and appreciation few years down the road to acquire another. You pay off one completely and use the positive cash flow from rental income of both properties to invest in a third one. You pay the second one off over time, and now you have positive cash flow from three properties to invest in your fourth. You will have the fourth paid off before you even blink your eye. The cycle can continue if you want.

# Summary of How to Build Wealth

The formula for wealth is simple: spend less than you make and invest the difference wisely; adopt wealth building habits and use your accumulated resources to build multiple sources of income.

Here's how it looks in a different format:

$$[(\text{Small, Smart Choices}) \times (\text{Consistency}) \times (\text{Time})] = \text{Wealth}$$

The only question remaining is whether you will do what it takes. Will you follow these proven, simple formulas to achieve amazing financial results? Or will you return to your same old patterns that produce the same old results?

The only thing standing between you and wealth is the willingness to act on this timeless wisdom.