

10 Easy Steps to Move From Poverty to Abundance

The number of people in the America living in poverty is more than 37 million - or around 13% of the population. Increase the view to include those living near the poverty line, and you more than double the numbers. I was one of those people. Thankfully, I am no longer. This article is about my journey from living in poverty to where I am today, and how you can do the same.

Let me give you my background. I mostly grew up around New York City. My parents were good, hard-working people, but not so good at bringing in money. If you counted the cockroaches, we had thousands living in our small apartment (only five people, but lots of cockroaches). Our most common dinners were some combination of scrambled eggs, mashed potatoes, pork and beans, biscuits, and on rare occasion, ground beef might be mixed in. We also sometimes got to eat food other people provided. I wore clothes my parents picked-up at second-hand and consignment stores. I covered the holes in the sole of my shoes with tin can lids and cardboard.

If you have gotten the idea that we had very little money, you got it right. I could give quite a few more examples, but the preceding paints the picture. I vowed that when I grew up I would never again live like that. However, I very nearly did - staying way too close to that place for way too long. Why? Now there's a story to tell.

Living in a Place of Poverty

Poor people develop a mind-set: a poverty mind-set. You can't blame them. It's what they know. It's where they live. It's really hard to see a way out of that place. So what is a poverty mind-set? It includes many things, and manifests itself differently with different people. It conspires to keep people living in the place of poverty. In my case, I desperately wanted *things*. Nice *things*. I couldn't stand having next to nothing. So, as soon as I was able, I started buying nice clothes to wear. The nicer, the better. Not that I had the money to do this, but hey, isn't that what credit is for?

After clothes, other *things* soon followed: cars, vacations, electronics, furniture . . . lots of things. No money, but lots of things. Thankfully, I had credit. In fact, the more credit I used, the more I was given. Pretty cool. I got to buy lots more *things*. I spent, and spent, and spent, and spent. No more poverty for me!

A funny thing happened along with all that spending. The notices I used to get from creditors inviting me to get more credit changed. Oh, I still got notices from creditors, but now they started with "your account is overdue". Problem was, I never did have the money to pay for all that stuff. I just used credit to create a fantasy lifestyle. In the process, I went a long way down the path to moving back into the place of poverty.

Have you ever truly felt you were at the end of your rope . . . your back up against a wall, with no way out? It's a place of despair with a total lack of hope.

Hitting financial rock bottom is an ugly experience. It's demeaning. It kills your morale. It wipes you out. The one plus is that it essentially makes *up* the only way to look. In my case, I came out of that place with almost nothing - no house, no car, most of my *things* were gone, and I had no credit. I had the opportunity to get a job in the investment industry, but was not sure they would actually hire me when they learned my background (they don't like it when employees show they cannot handle personal finances).

I did get that job, and I started to rebuild my life. I wish I could say I have done things perfectly well since then, but I most certainly have not. I have, however, been able to keep moving forward, and now I can say that after several decades, I am living far from the place of poverty. If you would like to know what I learned on the journey from poverty to abundance, read on.

Ten Steps to a Life of Abundance

Here are ten things I learned on my journey from despair to hope . . . from poverty to abundance.

One, hope always exists. Though it may not seem like it at the time, there is always light - somewhere, somehow. Getting to the place of light may mean swallowing some pride. It may mean significant lifestyle changes. It does require a change of heart and a shift in focus. It means embracing *I can* instead of *I can't*. I used to think that this kind of talk was garbage. It's not. It's truth.

Two, you cannot do it alone. I found myself in a pretty deep pit. I needed someone to throw me a rope; to extend a helpful hand. Thankfully, several people came forward to do just that. One reminded me that I did, in fact, have a source of hope. A friend reminded me that I had people who cared about me. Another source provided some greatly-needed financial guidance. No one offered to write me a huge check - for which I am very pleased. Some things you do have to work through yourself.

Three, moving out of poverty to abundance takes work. Hard work . . . and time. I did not get into my condition overnight and I certainly did not get out of it overnight. It took years. I made mistakes. All the while I kept learning and doing. Moving forward became my constant goal. There are always people who will remind you that your situation is too hard to fix. Don't listen. There are always people who actually prefer that you stay in poverty. Run, do not walk, as far away from them as possible. Pessimism and negativity are catching.

Four, once you begin learning financial best practices, you have to apply them. Taking action is sometimes hard, because the entire journey seems too hard and too long. The solution is to simply take the first step, and then the next, and the next, and then keep going. My brother, while he was working through some pretty tough times, used to say to me that he just kept putting one foot forward and hoping the other one followed. It always did.

In sports you hear your coach say "focus on the fundamentals". In another situation you might hear a mentor or teacher remind you "first things first". This is true with personal financial planning. Before you can live in a place of financial success, you have to build a firm foundation. Abraham Maslow suggested a hierarchy of needs as people develop psychologically. Maslow's foundation levels

incorporate physiological and safety needs: food, water shelter, personal security. Financial planning has a similar foundation level.

To get your financial life in order, you first need to take an inventory of where you are. Based on that information, you can begin building the foundation.

- Start with creating a budget. Be honest with it and use it as a roadmap for moving forward. Make one of your primary goals to get a handle on your debt load. Begin to reduce it as much as possible, and learn to use credit cautiously with great wisdom.
- Then, begin building a savings account. Your foundational savings account should be invested in pretty dull, safe places: money market, passbook savings, bank CDs - things like that. This foundational savings account is sometimes known as an emergency fund. Life happens, and a lot of life's happenings cost money. Your emergency fund can be used to help keep you out of debt (and despair) when life comes at you unexpectedly.
- A good target savings percentage is 10% of your income (gross or net, you pick).
- Make sure you have adequate insurance: auto, homeowners (even if you are renting), health and life are the basics. Disability insurance and maybe long-term care insurance might also be good ideas.

Five, plan ahead. Many goals, such as sending a child to college or buying a house, require a fair amount of money. You usually cannot count on getting that money overnight. So, you either scramble to line up credit, or you plan ahead and save the money. Einstein was supposed to have called compound interest the most powerful force in the universe. If you have to accumulate \$10,000, and can save \$100 a month, it will take you 100 months - or a little more than eight years to save the money with no interest. Invest the money in a compound interest account of some sort where you can earn even 5% and you shave more than a year off the time required to reach \$10,000. You also reduce the amount you have to contribute by more than \$1,000. Not bad, just for doing a little planning ahead.

Six, if it sounds too good to be true, it probably is. There are almost no real get-rich-quick options. This includes counting on winning the lottery or hitting it big in the casino. Unfortunately, people with little or no money often seem to fall prey to get-rich-quick schemes. I think it's probably a result of feeling desperate (along with a lack of financial education). Regardless of the reason, there seems to be a disproportionate number of people living in or close to the place of poverty who waste precious money on financial schemes that are almost certain not to work. I've done it, too. I took money I really didn't have to get into the *deal of a lifetime*. Only, it turned out to be that for someone else, not me. That's usually how it works.

Seven, positive change requires guidance. To move out of a place of poverty, I had to learn some foundational financial principles. There are some core practices that make the difference between financial success and financial failure. If you do not already know these practices, you have to get guidance. A good financial planner is an example of one source of this guidance. Financial classes and workshops can be another great source (just be careful of any hidden agenda the presenter may bring to the table - I made a few mistakes in that direction, and it cost me both time and money).

As you progress financially, things can become more complicated. You can invest the time and money in educating yourself. If you are normal, you will make lots of costly mistakes traveling this path, and getting ahead will take longer than necessary. Instead, you could invest some time in finding a trusted financial advisor. Yes, the advisor will cost you money. However, you are going to pay one way or the other. The key is determining which way will be the most cost effective and efficient.

Here's what a good advisor should look like.

- They have professional credentials. A fun thing about the financial industry is the alphabet soup that follows some people's names. You will hear that someone has a Series 6 or 7, or that they are insurance licensed. In both cases, these are bare minimum requirements to do their job, not any special credential. Essentially, these are sales licenses. You want to work with someone who has advanced education and/or professional credentials. To be sure, just having a credential does not mean an advisor is qualified. However, it's a good first step in evaluating them.

What credentials mean something? To some extent, that depends on what you want the advisor to do. For example, if you want someone to advise you in advanced life insurance concepts, you would look for a person who has earned the Chartered Life Underwriter (CLU) designation. If you want someone who is a portfolio manager and (potentially) an investment guru, find a person who has the Chartered Financial Analyst (CFA) designation, or perhaps the Certified Investment Management Analyst (CIMA). If you want an overall financial planning guide - a financial coach to oversee your whole financial plan - work with someone who has earned the CFP® designation.

- They have significant experience. I have nothing against rookies. I just believe that it's best for you to work with someone who actually has the experience they appear to have.
- They work with a reputable firm. They may work for themselves or they may work for a financial company you see advertised in all the media. Wherever they work, make sure they will work for you. I am partial to independent advisors, because they have a strong incentive to work for you - not any insurance company or brokerage firm. However, I personally know a quite a number of people who work in insurance agencies and brokerage firms, and are absolutely trustworthy. They work hard and always try to put the needs of their clients first. So, while I may be partial to independents, the real key is to work with an individual who is with a solid company (big or small) and who has the utmost personal integrity.

And here's what they should do for you.

- They will listen to you before they make any recommendations. A good advisor will work with you to learn your goals and dreams. Then, they will help to quantify those goals. In other words, they will help you determine what it will take to achieve your goals.
- They will be transparent. A good advisor will let you know the process they are using, any biases they have, their experience and education, how they make money, whether they have a reason to recommend one path over another, how long things will take, and lots of other information. The term is disclosure. Everything (and I mean everything) is discussed, clear, defined, understood, and contracted.
- They will get lots of information from you and invest lots of time analyzing that information. They should ask lots of questions. They will probably ask you for information that no one else knows. Just like a good doctor needs to know you physically in order to make a valid diagnosis, a good advisor has to do the same thing - only the focus will be on your financial life.
- After analyzing your information, they will make recommendations. They will bring these recommendations to you and explain why they are making them along with the pros and cons. They will ask if you have questions or concerns (and if you do, you should state them). They will make modifications until you are happy with the plan of action.
- They will help you move forward with your plan. It makes no sense to do all that work, and then do nothing to implement the recommendations. They will help you locate other professionals you may need, such as an attorney or an accountant.
- They will follow-up, along with following-through. Life changes. Your plan may need to change as well. A good advisor will keep in regular contact so that changes can be made and your plans can stay on track. Remember, the goal is not to make the plan. The goal is to achieve your objectives. The plan is just one tool to help you on your path.

Eight, don't forget about others. There are always people worse off than you, and they could use a hand. This may seem counter-intuitive, but while you are on the path to your own financial freedom, don't forget to extend a hand to others. You probably received help along the way. Maybe now you can be the one helping someone else who needs it. It's funny.

You have to give: of yourself, of your time, of your energy, and of your money. If you like, you can think of giving to others as an investment in your long-term success. This does not mean you should be stupid. You can't be much help to people if you pauper yourself so that now, you too are one of the folks needing a hand. So give, and give wisely. As your ability to do so increases, give more.

Nine, focus on life not just on making money. This is of ultimate importance. Financial planning is a great way to help you wisely manage financial resources to meet your life goals. However, the focus should be on your life goals, not the financial resources. Money is a tool, not the goal. What are your dreams, your goals? What is truly important to you? Take some time to nail that down. This is where you should focus.

Ask yourself: What *is* really important to me? If I could do anything in the world, what would it be? If I only had one year to live, what would I try to accomplish? These are the things that really matter. This is where to place your focus. Invest the time to dream. What is it you most want to accomplish in life - for yourself, your family, and for others? Focus there. What are your cherished goals? Focus there. Use the money as a means to achievement of these goals and dreams.

Ten, never quit. I can almost guarantee you will hit some potholes and bumps in the road. Some of them will be pretty unsettling. You might think that there's no reason to keep going. After all, things never work out right for me. Get out of that place. That is the place of poverty. You are heading in the opposite direction. Develop an *attitude of abundance*. This is not some sort of financial voodoo or wishful thinking. Instead, it is a recognition that when you work hard and walk the right path, you can - and will - succeed.

Cultivate an attitude of abundance. Develop an *I can* mindset, rather than one that says *I can't*. Recognize that true success is a journey of a lifetime. If you will, it's a marathon, not a sprint. So keep on moving. When you reach a barrier, go around it, go over it, move it out of the way, and keep moving forward. When something really bad threatens to overcome you, keep moving forward. Reach out to your support group (family, friends, those who care about you), and keep moving forward. When external forces seem to conspire to stop you, keep moving forward.

You can, and will, achieve the success you seek. Can I guarantee that you will be fabulously wealthy? Absolutely not! I can, however, tell you that if you do the things we have talked about here, if you work at with wisdom, if you consistently do all that you can, if you embrace an attitude of abundance, you will reach a place of success - whatever success means to you. You will have moved far from a place of poverty, and you will never have to return.

-- Michael Snowdon, CFP®