msn Money

Here's how wealthy people think differently than the average Joe

What you think matters

LeBron James is obviously a great basketball player, but it turns out he’s savvy about business and understands how to build wealth, too. For example, he’s friends with Warren Buffett, Ray Dalio, Bill Gates and many other successful moguls.

In other words, he has leveraged his brand and name to meet with these business and investment icons — not to pick their brains about stock tips and investment ideas, but to get their insight into his ideas.

Wealthy people, like LeBron James, understand that relationships, reputation, and network are the most vital elements necessary for building wealth. Leveraging the experience and network of others is a powerful way to get on the fast track financially.

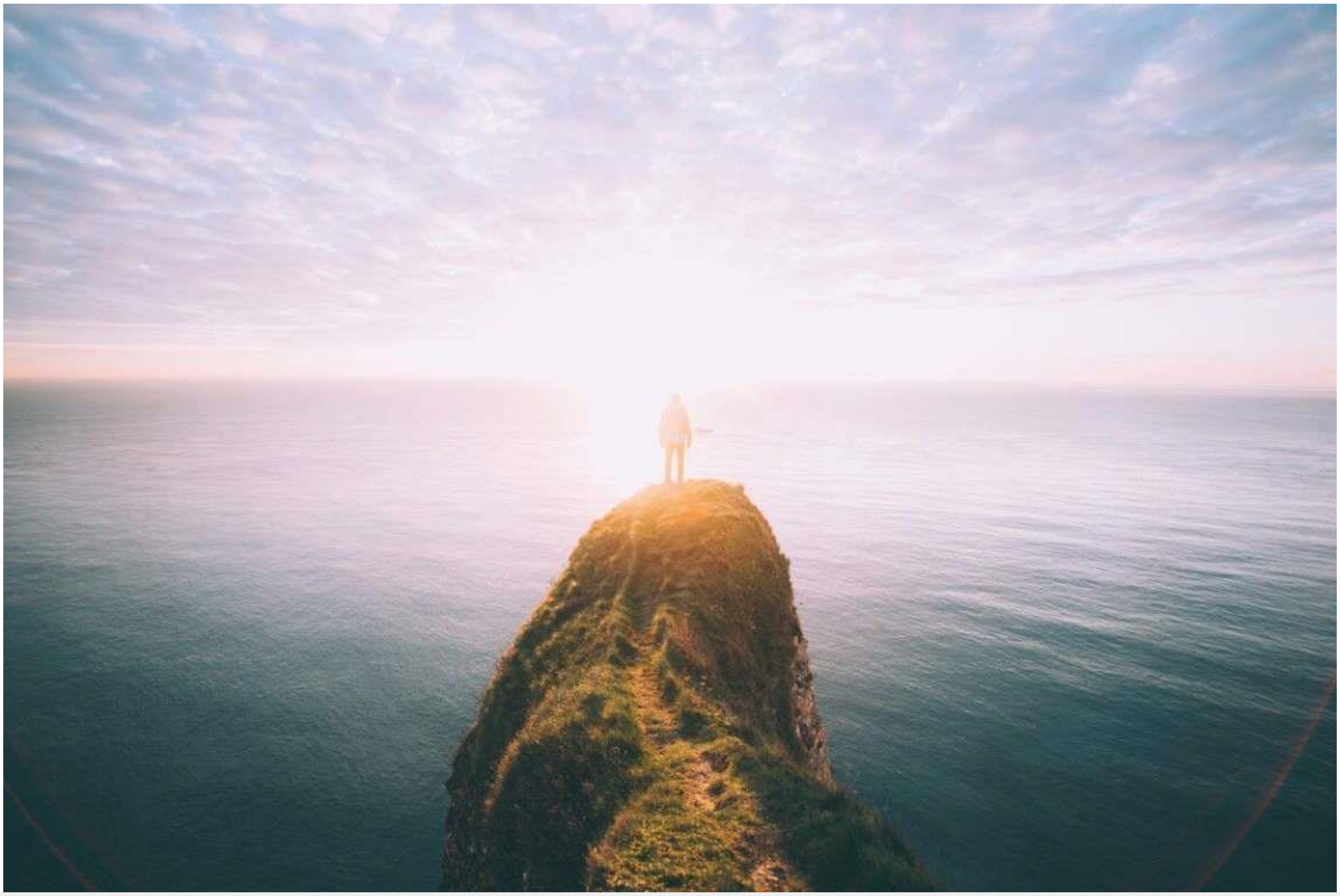
The wealthy have other unique characteristics and mindsets as well. Here are eight examples of how the wealthy live and think differently than most. I share more about how to emulate the wealthy and strategies for wealth building in my book "**Heads I Win, Tails You Lose: A Financial Strategy to Reignite the American Dream**."

1. They live by the mantra 'win-win or no deal'

Society is conditioned to look at life as dog-eat-dog, which means the only way to be successful is by winning at the expense of another’s loss, often referred to as a zero-sum game.
The mantra of the wealthy is win-win or no deal. They realize that relationships, reputation, and improving the lives of other people are going to improve their own lives subsequently.
A quote from Adam Smith, the social philosopher and economist who was a key figure in the Scottish Enlightenment of the 18th century, magnifies the idea.

Smith wrote the following: “[The rich] consume little more than the poor, and in spite of their natural selfishness and rapacity…they divide with the poor the produce of all their improvements. They are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species.”

What Smith means is that the wealthy are compelled to gain, as are all of us. However, it is a non-zero-sum gain. In the process, their innovation, risk tolerance, and intention ultimately improve the lives of all.



2. They have a growth mindset, not a fixed mindset

The wealthy have a growth mindset. Failure doesn’t exist, only lessons. They are always learning and never arrive at a final “learned” destination. They don't take criticism as a personal attack; they take criticism as an opportunity to get feedback from another perspective and grow.
If you want to be in a better place financially, start with yourself and determine if you have a fixed or a growth mindset. Then seek to build more financial assets through relationships, education, and shifting from the intention to get to the intention to give.

Finally, associate with like-minded individuals. Turn your Facebook or social media experience into a virtual mastermind group. Avoid friends that don’t influence you for good, and follow those that inspire you to be better and do more. Jim Rohn said, “You are the average of the five people you surround yourself with.”

3. They embody the 'be-do-have' principle

Most of us either hold the thought pattern, “Once I have [fill in the blank with whatever you want], then I will be [fill in the blank].”

For example, you might think, “If I got that promotion, then I would be able to afford that house.” Or maybe “If my investment doubles, I will have more freedom.”

Having is a function of doing. The reason you don’t have something is because you haven’t become the person who creates sufficient value to justify what you might get in return.

Therefore, the counsel is three simple steps:

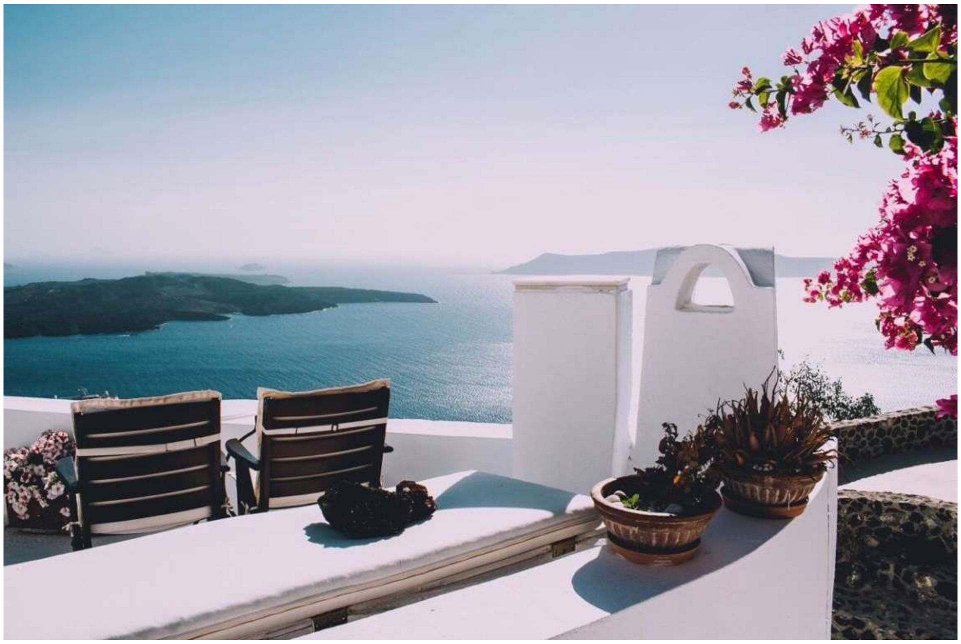
1. Seek out the person who has the results you desire.
2. Discover what they are doing differently, then distinguish their behavior compared to yours (work ethic, interaction with others, schedule, organization, etc.).
3. Adopt their behavior, mimic their interactions

When it comes to wealth, the formula isn’t any different.

Be: If you want the results of wealth, you must acknowledge that who you are hasn’t sufficiently developed into the person who produces that measurement of value. Therefore, focus on yourself and the tremendous opportunity to course correct and be that person who warrants wealth. Study the person who already has what you’re seeking: Their persona, their characteristics, their demeanor, and overall behavior.

Do: Your behavior will change. The way you interact with others, your vocabulary, your schedule, your work ethic will be different.

Have: Money is simply the exchange of value. Those who have money exchange it for what they value more than money. As you evolve into a wealthy being, you will naturally be driven to create more value for others. That value is reciprocated with money.



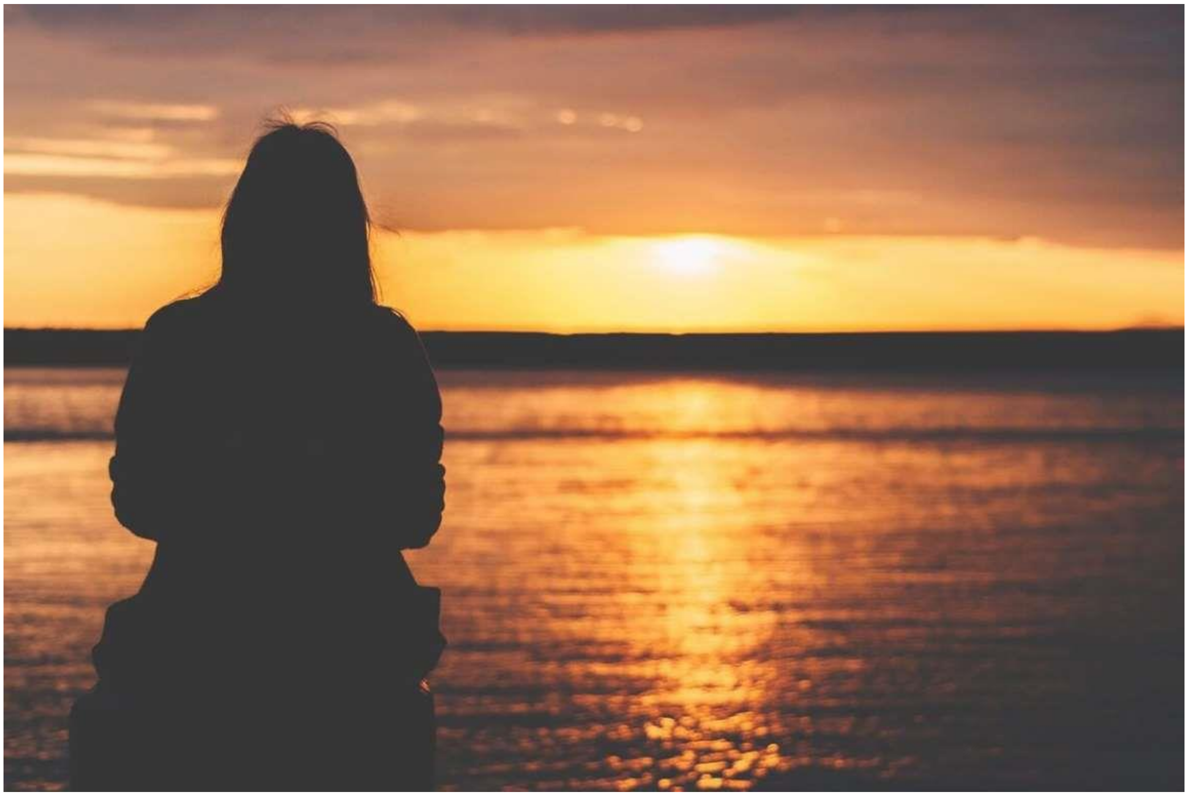
4. They don't wait until retirement to enjoy life

I fundamentally disagree with the idea of retirement. It's anti-life and inherently flawed. The goal of wealth building isn't retirement at 65. It's financial freedom as soon as possible.

A good financial strategy isn't to stop producing but to structure your finances, investments, and employment to make the biggest difference and achieve a fulfilling lifestyle. The preparation for this lifestyle is just as much mental as it is financial, which in turn fosters a paradigm shift.

Your heart turns from maxing out your 401(k) contributions, suffering through unhealthy office culture, and sacrificing time and energy away from your family. Instead, your goals become establishing liquidity, investing in yourself (your greatest asset to maximize your earning potential), investing in assets for maximum cash flow, and then discovering your calling, unique genius, and a conducive professional environment to execute that discovery.

That environment will provide flexibility to mix in the other important aspects of life, such as family events and travel. Imagine a lifestyle where your investments pay you cash flow monthly, and you use your years of training, experience, and wisdom to consult, work remotely, or be with a company that offers flexible lifestyle benefits. Today, more than ever, that lifestyle is absolutely possible. Many live it every day.



5. They invest in themselves above all else

Our life is the foundation of wealth, and all other rights and principles are corollaries to it. Our life belongs to us, and likewise, the life of another is theirs and cannot be claimed by us. Life is the context in which we experience everything, and without it, nothing else would matter.

When the environment of life is free, the dynamic sets in motion an innate ingenuity to nurture, improve, and subsequently optimize our physical world. This same motivation carries directly to the same stewardship over our most precious and valuable asset —ourselves.

The result?

Our personal drive to grow and progress will grow stronger. The desire to discover how to be the most valuable to others will intensify. The exchange for that value is not only material wealth but the remuneration of fulfillment and freedom.

Unlike other assets that are finite in nature, there is no end to your degree of understanding, knowledge, education, training, and capacity to be the greatest value to the greatest number of people.

Your capacity to build wealth is unlimited. Investment in you takes precedence.
Each of us has a unique genius inside waiting to express itself for the benefit of others; it is an asset waiting to be discovered, enhanced, and made even more valuable.

6. They know when to save and when to invest

Saving is supposed to be the preservation of capital.

With savings (ideally), you’re not going to lose money. If you have a dollar now, and you put it into a savings account in a bank, you’re going to have a dollar tomorrow or five years from now. The saved money is guaranteed by the bank. It’s not at risk, other than the bank’s stability. It’s also liquid — you can take it out at any time. You get a yield, and you’re not likely to lose any principal.

Saving is about preserving money. Investing is about growing money, but it comes with risks — nothing is guaranteed. With investing, if you start with a dollar today, you might have $1.50 in a couple of years, or you might have only 50 cents.

A big dilemma with the United States personal finance industry is that saving has now somehow morphed into investing. They’re considered the same thing, but they’re not. Most people are confused about the definition of an investment. An investment to most people is:

- The stock market
- A mutual fund
- An exchange-traded fund
- A 401(k)
- An IRA
- A piece of real estate

The best investment strategy is to figure out a way to make another dollar, not give money to a stockbroker so that *they* could make you another dollar. The first one you have control over, the second you don’t.

If you want money to grow, you need to figure out how to do it with what you can control, like your business or an investment you understand. When you make a profit, *then* you can store the capital in savings.

7. They use insurance as a foundation for wealth-building

How do the wealthy use insurance differently than the average person?

It’s not that the wealthy have all their money in insurance. Rather, insurance is used as a foundational wealth vehicle by dynasties, executives, banks, and corporations. The middle class isn’t doing that.

Author Barry J. Dyke, in his book, "Guaranteed Income," writes that Wall Street is the mechanism used by the elite to become massively wealthy. The bulk of their assets come from the middle class through their 401(k) contributions.
The contributions buy mutual funds to the tune of billions a year. Mutual funds use the money to buy stock in the companies that the elite control. A seemingly infinite flow of money goes into their coffers, month in and month out. The profits and wealth that result are often stored in insurance products.

For the wealthy, insurance fulfills multiple roles:

- **Traditional role of death payout.** This is the original purpose of insurance, dating back to the 1800s. If something unexpected happens, there’s a payout.

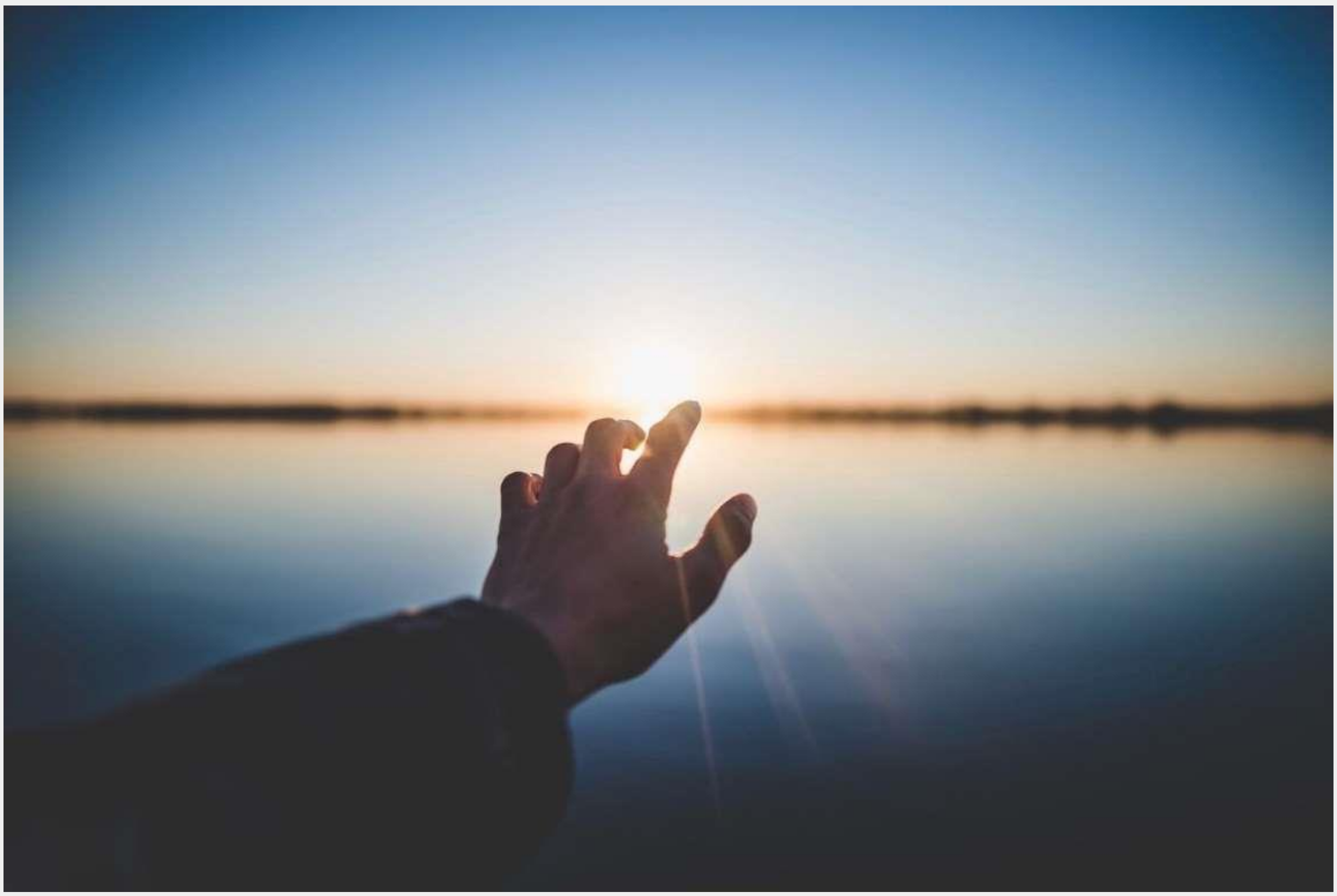
- **Liquid assets in case of emergency.** This is money withdrawn or loaned against the policy and can be used for an unexpected event, such as a medical emergency or job loss.

- **Guaranteed loan provision.** You can borrow against the policy to take advantage of any purchase opportunity — including business, investment, or personal — that requires liquidity and fast action.

Insurance isn’t an exclusive investment vehicle the way a 401(k) is. If you have a 401(k), you tie up your money, possibly for decades. To take advantage of a business opportunity, for instance, you’d have to find another source of capital, even though you might have enough money in your 401(k) to do the deal.

But if you allocated the money you were previously saving in your 401(k) into a wealth maximization account instead, you can have all its benefits, plus you can use the loan provision to take advantage of any number of opportunities.

I often use the saying, “When you have cash, opportunities seek you out.”



8. They know control equals freedom

When you control your money and financial potential, you are truly free. The biggest step to financial freedom is to consider yourself your most valuable asset, not your 401(k), home, an investment property, or your bank account.

When you adopt this mindset, you start to think differently about how you dress and groom yourself, how well you maintain your body, how you treat other people, and how you look for opportunities — how to be more valuable to your employer, your colleagues, your children, and yourself.

If you don't have control of your money right now, that means the control is with someone else. Who is that someone else? It's someone who didn't earn the money that you're investing with them. It's someone who is managing a lot of other money from other people as well.

Do you really think that the mutual fund manager who's taking care of your 401(k) account is thinking, "What can I do with [insert your name]'s money that's in their personal best interest?" No. That person is thinking, "How can I make the most money for me? How can I hit my bonus this quarter?"
At the banks and financial firms, collectively they think, "We're a public company. We need to hit our quarterly projections. If that means individual account holders suffer, too bad." Everybody's pressured to grow, grow, grow, grow — at your expense.

You're putting control of your financial future in the hands of people who don't have your best interests in mind. You're relinquishing control to big institutions that serve their own needs first and yours a distant second. You're increasing your risk while minimizing the earnings on your money. The typical financial mindset benefits institutions, not you.

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