Don't Be Broke

When You're Old!

A SIMPLE GUIDE
TO BUILDING WEALTH

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ALTAMIRA STUDIO
2025

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CHAPTER 2

$1 MILLION THE SIMPLE WAY

Many people think you have to be lucky to be rich. But that's false. Becoming a millionaire doesn't depend on luck. There's a proven method for getting rich even if you're not especially lucky. And it's simple: any young person can do it. The secret is starting early. Angela's story illustrates how it works.

Angela landed a job out of college that paid her $50,000 a year. Her salary was divided into 26 pay periods: she got a paycheck every two weeks in the amount of $1,923. She took $100 from each of those paychecks and invested it. So at the end of the year, she'd managed to save and invest a total of $2,600. She continued saving and investing a little of her paycheck (about 5%) year after year.

By the time Angela was age 67, she'd saved a total of $119,600. But her investments made that money grow an additional $1,011,824 for a grand total of $1,131,424. That money gave her the option to stop working without downgrading her lifestyle. She didn't need to give up any of the things she enjoyed, and she didn't need to work to pay for them. She could instead pay all of her living expenses using the money she'd saved.

ANGELA BECAME A MILLIONAIRE THE SIMPLE WAY

ANGELA LANDED A JOB OUT OF COLLEGE THAT PAID $50,000 A YEAR. SHE GOT A PAYCHECK EVERY TWO WEEKS FOR $1,923. SHE SAVED $100 (ABOUT 5%) OF EACH PAYCHECK AND INVESTED IT.

Angela didn't have to save much to become a millionaire—just 5% of her salary, or $100 per paycheck. The chart on page 7 shows what happened with Angela's money after she started saving at age 22.

Angela wasn't particularly lucky. The most she ever got paid in a year was $50,000—less than the national average of $65,000 a year. She got rich not by luck, but by following a simple method that's proven to turn ordinary working people into millionaires:

1. **Take a percentage of every paycheck and save it.**
2. **Invest what you save.**
3. **Be patient and stick to your savings plan.**

This book will teach you how to become a millionaire like Angela did—not through luck, but through consistency and patience. We'll cover how to save, when to save, where to save, and how to invest your savings.

THREE PRINCIPLES FOR BECOMING A MILLIONAIRE

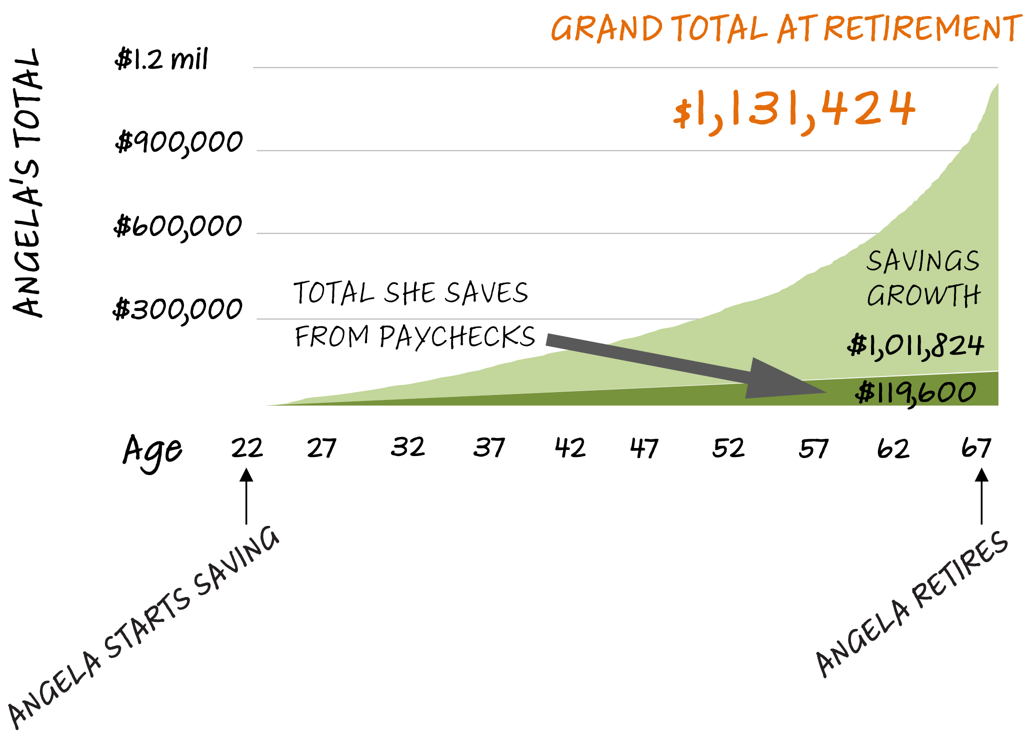
The key to Angela's success comes down to three principles:

1. **SAVE.**
2. **SAVE EARLY.**
3. **SAVE RIGHT.**

Let's discuss these principles in more detail.

HOW ANGELA'S SAVINGS GROW OVER 45 YEARS

AT AGE 22, ANGELA STARTS SAVING $100 PER PAYCHECK (5% OF HER SALARY). SHE DOES THIS EVERY PAYCHECK THROUGH HER ENTIRE CAREER FOR A TOTAL OF $119,600 SAVED. BUT THE MONEY SHE SAVES GROWS ON ITS OWN AN ADDITIONAL $1,011,824 FOR A GRAND TOTAL OF $1,131,424 WHEN ANGELA RETIRES.



SAVE

Save some of the money you earn every paycheck instead of spending it. Whenever you make money, train yourself to put some of it into savings—even just 5%. Some people call this "Paying yourself first." In other words, before you spend any money on things you need or want, you have to pay yourself some money and put it into savings. That's how you start on the path to becoming a millionaire.

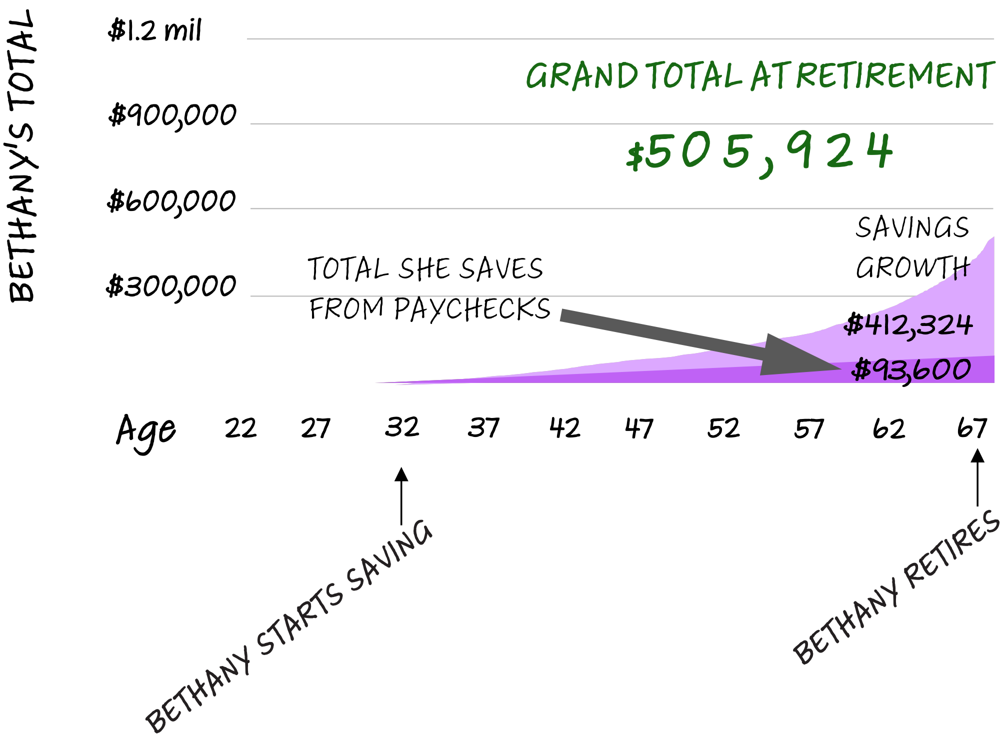
SAVE EARLY

Start saving early in your career—the earlier the better. Even if you're getting paid less than Angela, starting early is the key to making millions the simple way. The reason is that it takes time for your savings to grow. Just as it takes many years for an acorn to grow into a giant oak tree, it also takes many years for the money you save to grow into a million dollars. The more time you give your money to grow, the bigger your savings will become. If you don't start saving early but instead wait, you give your money less time to grow. So you end up with less.

Compare Angela, who starts saving at age 22, with Bethany who delays saving by ten years and starts at age 32. Recall that Angela ended up with $1.1 million at age 67 (see the chart on page 7). Bethany ends up with less than half that amount (see the chart on page 9). The difference between Bethany and Angela is simply that Angela started saving earlier—at age 22 instead of age 32. The earlier you save, the more money you'll accumulate over time.

BETHANY DELAYED SAVING FOR 10 YEARS

BETHANY STARTS SAVING AT AGE 32 INSTEAD OF AGE 22. SHE SAVES $100 EVERY PAYCHECK (5% OF HER SALARY) FOR THE 35-YEAR REMAINDER OF HER CAREER FOR A TOTAL OF $93,600. THE MONEY SHE SAVES GROWS ON ITS OWN AN ADDITIONAL $412,324 FOR A GRAND TOTAL OF $505,924 AT RETIREMENT (FAR LESS THAN ANGELA'S $1,131,424 GRAND TOTAL).



SAVE RIGHT

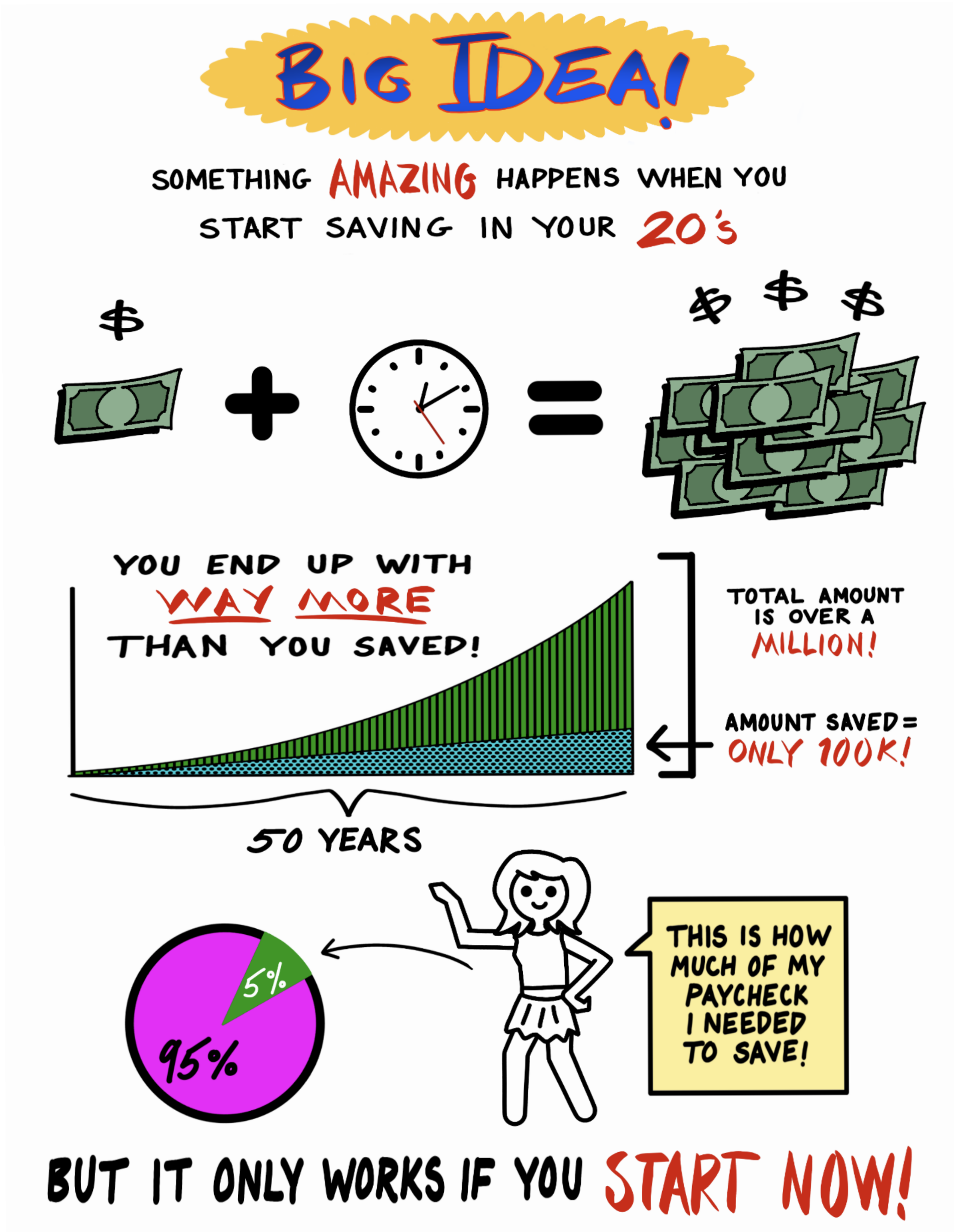
Invest your savings in a way that grows what you have. You could let your money sit in a savings account doing nothing, or you could use that money to make even more money. The process of using money to make more money is called **investing**.

Angela has $1.13 million at age 67. Yet she saved only 5% of her salary—$100 per paycheck. Add up all those paycheck contributions, and they total $119,600 by age 67. Where did the extra $1 million come from? The answer: Angela's investments. Angela didn't let her money sit in a savings account doing nothing. She used the money she saved to make even more money. That's why she was able to save only $100 per paycheck and still become a millionaire: she invested her money in a way that grew her savings over time. That's saving the right way. This book will cover what you need to know to Save Right successfully.

IF BECOMING A MILLIONAIRE IS SO SIMPLE, WHY DON'T MORE PEOPLE DO IT?

Becoming a millionaire isn't complicated. Yet 90% of people don't do it. I once heard a woman confess, "I'm 49 years old, and my net worth is $900. I have no idea what I'm going to do!" That kind of failure is much more common than the success of people like Angela.

Only about 10% of Americans have $1 million or more saved up when they reach retirement age. Worse: 35% of Americans ages 55-66 have no


BIG IDEA!
SOMETHING AMAZING HAPPENS WHEN YOU START SAVING IN YOUR 20's
$
$ $ $
YOU END UP WITH WAY MORE THAN YOU SAVED!
TOTAL AMOUNT IS OVER A MILLION!
AMOUNT SAVED = ONLY 100K!
50 YEARS
5%
95%
THIS IS HOW MUCH OF MY PAYCHECK I NEEDED TO SAVE!
BUT IT ONLY WORKS IF YOU START NOW!

retirement savings at all. And among those who do, many recognize that what they've saved isn't enough.

You might be wondering: **If becoming a millionaire is so simple, why don't more people do it?** The answer is that many people don't follow the three principles I've described: they don't Save, or they don't Save Early, or they don't Save Right. There are many reasons they don't do these things. Here are some of them:

- They don't think about their financial future till it's too late. As a result, they don't Save.

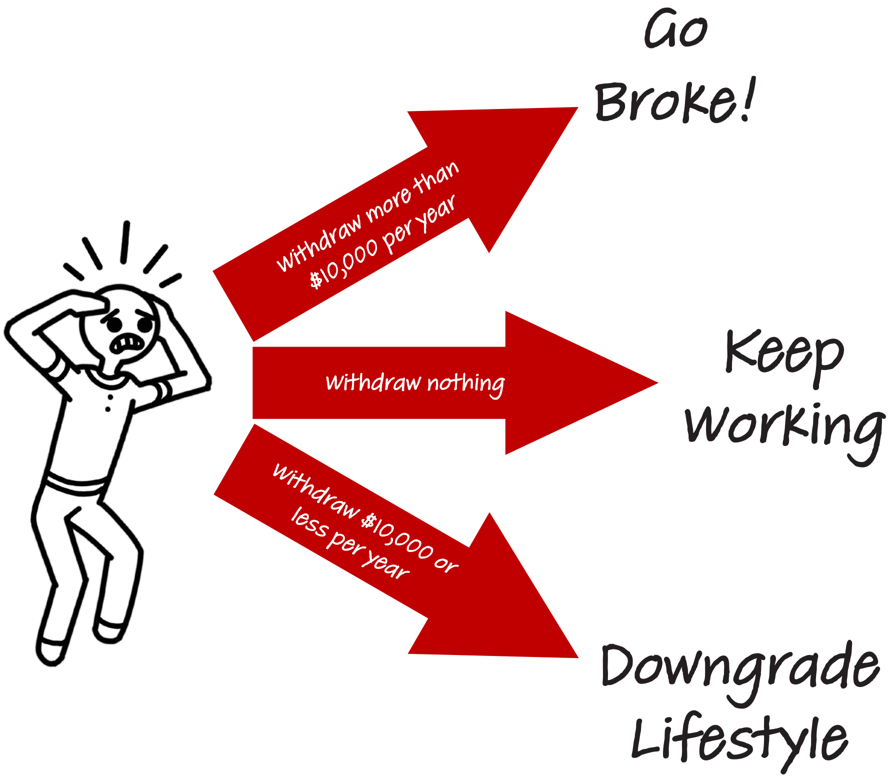
- They prioritize short-term expenses over long-term planning. As a result, they don't Save Early.

- They don't understand investing. Some feel intimidated by the idea of investing, or assume that investing is for people who are already rich. Others don't want to take a slow, steady path to wealth. They think it's possible to get rich quick and look for a way to do that. As a result, they don't Save Right.

These are some of the reasons so many people find themselves in bad financial circumstances. To understand how bad, think of this: in 2022, the median retirement account for Americans aged 65-74 had only $200,000. To understand how little that is, let's look at Charlie.

Charlie's Bad Situation

Charlie is age 67 and has only $200,000 in savings. If he retires, he'll have to start withdrawing money from his savings to pay his living expenses. If he withdraws $10,000 or less per year, he'll have to downgrade his lifestyle drastically. If he withdraws more than $10,000 per year, he'll go broke. It looks like Charlie doesn't have enough to retire. He'll have to keep working.



CHARLIE'S BAD FINANCIAL SITUATION

Charlie is 67 years old and has $200,000 sitting in a savings account. He currently makes $70,000 a year at his job. That's a little above the national average of $65,000 a year.

Charlie spends about $52,000 a year to cover living expenses like housing and groceries. After he pays taxes, he has about $3,000 a year to spare. Can Charlie stop working at age 67 the way Angela can? Let's look at the numbers.

Charlie can expect to get $20,000 a year from social security (see the section **What about Social Security?** on page 15). But $20,000 a year is barely enough to live on. He can't rely on social security alone to meet his living expenses, much less sustain the kind of lifestyle he currently has. If he withdraws $10,000 a year from his savings account for the next 20 years, that'll put his annual income at $30,000. That's less than half what he's earning now. So if Charlie wants to stop working at age 67, he's going to have to downgrade his lifestyle. He'll no longer be able to spend $52,000 a year, but only $30,000 a year. That means no restaurants, no gym memberships, no vacations, no live music, no sporting events. He might have to move to a rougher neighborhood or sell his car. Charlie isn't willing to downgrade his lifestyle that drastically. So to keep paying his living expenses, he's going to need to keep working past age 67.

Maybe you're thinking that Charlie should draw more from his savings account than just $10,000 a year. If Charlie drew, say, $20,000 a year, then he wouldn't have to downgrade his lifestyle so drastically. But there's a

What about Social Security?

Social security is a financial benefit system run by the Federal government. You pay for the system over the course of your career through taxes on your income (see the section ***The Anatomy of a Paystub*** *on pages 62-63). Some people make the mistake of thinking that social security will give them enough income to live on when they retire. But that's false. The average retiree gets only about $19,000 per year from social security. That's barely above the Federal poverty level of $15,000. In reality, social security doesn't provide enough income to retire comfortably. It barely supplies enough retirement income to meet basic living expenses. And it certainly isn't a way of building wealth. Social security isn't a substitute for Saving, Saving Early, and Saving Right.*

problem with that approach: if Charlie does that, he'll run out of money! Charlie has $200,000 in his savings account. So if he draws $20,000 a year from his savings, he'll run out of money in 10 years when he's 77. Charlie plans on living past age 77, so he has to find a way of paying for his living expenses past that age.

Even if Charlie were able to invest the $200,000 at age 67 to make the money grow, he would still end up with only enough for an additional four or five years of living expenses.

Charlie finds himself between a rock and a hard place. Either he's going to have to downgrade his lifestyle in drastic ways, or he's going to run out of money. $200,000 simply isn't enough to allow Charlie to retire at age 67.

Charlie could've avoided this bad situation if he'd followed the three principles: Save, Save Early, and Save Right.

In the chapters that follow, I'm going to teach you about these principles. I'll show you how to save your money and how to grow your savings. I'm going to take the mystery out of investing so you can become a millionaire and get the kind of financial security that Angela has. But before we talk about investing, let's take a deeper look at the three principles: Save, Save Early, and Save Right.