

# Personal Finance is Personal Discipline

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## BEGINNING

We keep hearing about how people who are aware and active about their personal finance are improving their life and getting more out of it than just debt and mortgage.

If you think of it, personal finance may really be a conceptual metaphor for personal discipline. When you start working out on your financial situation, you are not just putting your money in order; you are also putting your life in order. You are actually reigning in out-of-control spending temptations, rigorously tracking your expenses, paying your bills on time, trying hard to get out of borrowings ... in a generic sense, you are trying to set up a "getting rich" plan and making efforts to stick to it.

## **DISCIPLINE leads to WEALTH**

Wealthy people become what they are not because they earn by the millions but the discipline that they have acquired and developed over the years that made them really affluent. The millions of dollar earnings are mere subsidiary of what they have developed in life - a strong sense of discipline and frugal life. Spend less than what you earn is a basic principle of Personal Finance.

## BODY

### **Wealthy Vs Rich**

Many people do not understand what it means to build wealth, they would rather be "rich," financially uncommitted, and "live for the moment." Their financial ignorance is bliss and they have no idea about the difference between being "wealthy" and being "rich".

Here is person Mr. John Doe who makes a six-figure annual salary, drives a new luxury car, and lives in a \$500,000 suburban home. On the outside looking in, this person appears to be "wealthy" and have his financial house in order. Actually, this person is just "rich" but not wealthy. What is so bad about being just rich? Well, this person works 12-hour shifts, rarely has any free time and is unhealthy from constantly eating out. Unfortunately, after using all of that six-figure salary to pay off expenses, he is only two paychecks and a credit card away from being homeless.

There is another person Ms. Julie who only makes about \$60,000 a year from her small business, owns a late-model non-luxury car, always wears discounted designer clothes, has paid off her mortgage completely (which means she owns her house). She goes on vacations whenever she chooses, has few thousands in her bank account and investments. Though this person makes less than Mr. John Doe, she is actually "wealthy" and not just "rich".

**So, the difference is this: being rich is owning assets but being wealthy is owning time and peace of mind.** We all want to be wealthy not just rich and how do we get there - only through Financial Discipline and Frugal Life.

Sounds good, right? But "doing it" is what counts. And it is the "doing it" that separates the poor from the rich, the good from the great and the amateurs from the professionals.

Michael Jordan constantly practiced his skills and shot 1,000 times daily = Greatest NBA Player of all time.

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Richard Pryor forced himself to think of three new jokes everyday = Greatest Comedian of all time.

Bill Gates, a college dropout still falls asleep at his computer while thinking of innovative ways to make computers better = 3rd Wealthiest Person in the World.

### **The Best Holiday Gift for our Kids - Financial Discipline**

We always think of Holiday Gifts for our kids. One of the best holiday gifts that we can offer our kids is learn them - Financial Discipline at an early age.

If at the age of 12 or 13 or 14, they realize the importance of Financial Discipline, learn to develop good spending habits and respect money, we can avoid them abusing the credit cards and end up in big debt when they grow up. Obviously the best way to impart this is we do it first and then they follow it for sure. Because, kids are well aware of all the things that we do (Good & Bad) and they try to do the same. So, the more disciplined we are, the more disciplined our kids will be.

A great way to teach kids financial discipline is to get them a prepaid credit card. This is technically a debit card but it's not attached to a personal bank account of yours, it's a reloadable Visa or MasterCard debit card that you can control. Some companies have made cards specifically for kids that include some pretty fantastic features like the ability to turn the card on or off temporarily from the internet, so parents can take away their credit card privileges without having to take their physical card.

Parents can also load the card with say 100.00 and can set the daily or weekly credit limit to anything they want up to 100.00. This gives parents the ability to load up their kids cards at payday then give them access just to their allowance, and if they do extra chores the parent can go online into their account for the card and can raise the limit.

Kids love the idea of having their own digital money, and when the family goes out they can buy things themselves. They learn to earn money and get the responsibility of using their own card. My kids love to say "let's go get hot chocolate, it's on me dad!"

So here's my recommendation for the holidays: Give your kids (especially your older ones) the very best possible gift - one they will work with all year long, as well as all of their lives - the gift of **financial responsibility**

## CONCLUSION

### **The Painfully Obvious But Rarely Followed Tips**

1. **Pay yourself first.** Try to put away at least 10% of your income into a savings account.
2. **Spend less than you earn.** While this seems obvious, Americans are notorious for doing just the opposite. Stop spending and start saving.
3. **Pay your bills on time.** Avoid needless late fees and know how much money you actually have.
4. **Set a budget.** And live by it. Use a computer program or just a paper and pencil. Whatever works.
5. **Set concrete goals.** Know when you want to buy a new home, when you want to retire, and how much you are expecting each to cost you.

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6. **Have an emergency fund.** Have at least three months' income in a high-yield savings account that can be easily accessed.

### LAST but not LEAST

1. **Take a deep breath.** Sometimes things can go wrong even if you have planned everything so well. So, take one thing at a time and try to sort it out.
2. **Money isn't everything.** Good Health & Happy Family are priceless.

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