

The Financial Truth: There's a limit to how much you can cut expenses, but there's no limit on how much you can earn.

Do you want more from life? More money? More freedom? More security? More time with friends and family doing the things you love? I don't know anyone that would say no to these questions. That's not to say that there aren't plenty of people out there that are completely content with their lives. Maybe they have all the money, freedom, security, and time they need and want.

I need to let you in on a **Financial Truth** when it comes to your finances.

There **is** a natural ceiling on how much you can save, but how much you can earn is limitless.

Now that we know that universal truth, let's take a look at the **two** ways you can build wealth:

1) You can **spend less**. Unfortunately there is a natural ceiling to this strategy. Not only is there a finite amount you can save by cutting your expenses, but it can be very restrictive when it comes to lifestyle indulgences.

AND/OR

2) You can **earn more**. This could mean asking for a raise, starting a side business, or earning more through investments & trading. Unlike number 1, this strategy is limitless.

Before we dive deeper into each strategy, let me mention that I believe there is a time and a place for both strategies. However, I prefer to focus most of my energy on earning more, so that I'm not forced to make dichotomy choices or this vs. that (i.e \$5 latte vs. \$5 savings or \$5,000 vacation vs. 401k contribution). I don't like the financial folks that have you cut out all the joy in your life for 40 years, in the hope

of one day being able to retire a millionaire and finally indulge and experience life. There needs to be a healthy balance between saving and spending.

My hope with this post is to help you cut out the unnecessary expenses, those that don't enhance or bring joy to your lifestyle. And then once you've done that, shift the majority of your energy to earning more. Once you make the shift you will be amazed at how liberating a slight shift in energy can be.

Spending Less to Build Wealth

[container]*If I'd followed the advice of most "experts," I "should" have done the following this year: Stopped eating out, cooked at home every day, never take a vacation, sit at home (no cable) and knit, reuse plastic bags 47 times, cut down on the amount of toilet paper I use, walk everywhere (no cabs or driving), and I'm sure the list goes on and on. Who the hell in their 20s and 30s wants to live like that?*

In fact, based on some back-of-the-reused napkin math, all I have to do is use 50 fewer squares of toilet paper each day, which will save me \$2.35/month, times TWELVE MONTHS!! I WILL TEACH MYSELF TO BE RICH!!!

- Ramit Sethi, [I Will Teach You To Be Rich](#) [/container]

The quote above truly captures the same rhetoric that the Financial "Guru's" have been throwing at us for years. It is all about **delayed gratification**. It's about taking the long-term view...meaning that if we work really hard, save all your money, and have zero fun...then 40-50 years from now you will have \$X millions of dollars to enjoy in retirement. They call it "**Get Rich Slowly,**" and it is **one** way to get rich.

The fallacy in this philosophy is that none of us are guaranteed a tomorrow, let alone the guarantee we will be around to enjoy retirement. And the reality is that by the time you are ready for retirement it is highly likely that you won't be able to physically do some of the things you put off in your youth. I can't speak for you, but I don't like the risk/reward in this scenario. This method may be for some people, but it's not for me. I am not willing to put all my eggs in one basket and plan for a day that may never come.

There has to be a better way...

Like I mentioned above, there is a time and a place for both spending less and earning more. You can really simplify it by following the 90/10 rule, meaning that when it comes to building wealth, you should spend 10% of your time thinking about ways to cut expenses and 90% on earning more. This means that you shouldn't be obsessing about every little expense. Instead, I recommend that you sign up for a service like [Personal Capital](#) to track your monthly expenses and figure out where your money is going (do this for about 3 months).

See where it makes sense to cut out expenses that are not enhancing or bringing joy to your life. Most likely it's not going to be the latte or dinners out on Friday nights. The point here is not to tell you what to cut from your budget, the point is to take a look at your expenses and see if it makes sense to make some cuts, then make them, and move on (circle back every 6 months).

My guess is that for most people this is going to be hundreds of dollars, not thousands ([unless you make some drastic changes like I did by moving](#)).

But for a select few, you may be surprised that there are some bigger expenses that may be ripe for a trimming if not cutting them out entirely.

My Personal Expense Cutting Example:

I fully expect that only about 20-30% of the people who read this blog will be in the same category as me when it comes to spending less. But as I shared with you in my [previous post](#), I was able to make some changes that brought my expenses down substantially without hindering my lifestyle. It has actually elevated my lifestyle. Since I wrote about them in a bit more detail previously, I will just briefly highlight the cuts I was able to make.

By moving inland about 60 miles from Orange County I:

1. Saved \$1,100 a month on housing. Not only that, I saved about \$300k on the purchase of a home that is 4X's the size of what you could get in the OC.
2. Saved \$500 a month on gas and toll-roads. The wife was already commuting inland and I ended up finding a job 4.7 miles from the new house.
3. Saved \$150 a month by paying off my student loans. Because we bought a much cheaper house, the money we had saved for a down payment went a lot

further ☐

Total Saved = \$1,750/month

Like I said, my story is probably not typical. But I urge you to see if this may be a viable option, because there could be some low hanging fruit you had not previously considered before. Ok, so the city I moved to isn't nearly as happening as the OC. But I am still within driving distance of the OC, and now if my wife and I want to go into town to have dinner with friends (which we do once a week) we are driving against traffic.

We are also a lot closer to family, which is important to us (especially after my father-in-law had a heart attack last year). And we get to re-kindle old friendships because this is where we grew up and went to school. And lastly, now we have this huge 3,300 sq. ft. home that is plenty big to have people come visit us. We do live near Temecula which has about 27 wineries, which is enough said :).

Besides this big change, I try not to spend much time obsessing about expenses. Now it's back to the normal review every 6 months to eliminate expenses that are no longer enhancing or bringing joy to my life.

Now we move on to something way more powerful than spending less. Because the reality is that you are probably not going to get rich by pinching pennies your whole life.

Earning More to Build Wealth

This is where you should be focusing your mental energy. And here are several reasons:

1. There is a limit on how much you can cut back on expenses. The more you cut, the harder it becomes to find places to cut expenses. We all have basic needs to cover.
2. Cutting expenses alone is a long and uncertain road to wealth building. No one is guaranteed a tomorrow.
3. Earning more becomes easier. You will find that over time it is easier to earn more than it is to cut more. Once you're earning an extra \$100/month, next thing you know you are earning \$500 or \$1,000/month more.
4. Earning more is a lifestyle enabler, cutting expenses inhibits your lifestyle.

5. Cutting back on everything and pinching pennies really sucks. Earning more allows you to have your cake and eat it too.

In my experience when all the focus is on cutting expenses you tend to always be in a scarcity mindset, which leads to limited opportunity and narrow thinking. On the other hand, as your energy shifts to earning more, this cultivates an abundance mindset with unlimited opportunity. You will be amazed with how many opportunities present themselves with just a slight change in mindset.

We are so lucky to be living in unprecedented times. Technology and the internet have created near endless opportunity to earn money both online and offline. Take a look at some of the options we have available to us to earn more money on the side:

- Start an e-commerce business
- Start an Information Marketing business
- Start a Consulting Practice in something you have expertise in
- Rent out a room in your house using Airbnb or Craigslist
- Rideshare with Lyft or Uber
- Find a 100% remote position with flexible hours that you can fit around your day job (www.weworkremotely.com)
- Start a blog
- Create a YouTube channel
- Start a Podcast
- Develop a SaaS based company
- Sell Internet Marketing services
- Open a brokerage account and start investing
 - Learn how to trade options for income
- Open a Peer to Peer lending account
- Dog sit using a service like DogVacay.com
- Become an affiliate marketer
- Buy a rental property

This list is by no means exhaustive and is for illustrative purposes only. Each one of the points I mentioned above can be broken down much deeper than I have done here. The real point is that there are many different ways to earn money both for the short-term and long-term, depending on your goals. Some of the methods listed may act as a bit of a bridge while you build your primary source of income. Others may be used to create additional sources of income.

The best advice I can give is for you to go out and take action. Start with something small. The first side project I did brought in \$20/month in revenue and has done so for almost 2 years now. More recently I started providing internet marketing services to two clients, and that is netting me about \$1,000/month. And then there is the room I am renting in my house that is bringing in another \$600/month. I am still far from my income goals, but am well on my way. And it has gotten easier to add extra income streams over time. Landing the \$20/month client was far more difficult than landing 2 clients for \$1,000/month. My assumption is that the next \$2,000/month client and beyond is only going to get easier.

What interesting ways are you earning money?

- Gen Y Finance Guy



Gen Y Finance Guy

Hey, I'm Dom - the man behind the cartoon. You'll notice that I sign off as "Gen Y Finance Guy" on all my posts, due to the fact that I write this blog anonymously (at least for now). I like to think of myself as the *Chief Freedom Officer* here of my little corner of the internet. In the real world, I'm a 30-something former C-Suite executive turned entrepreneur turned capital allocator. I am trying to humanize finance by sharing my own journey to Financial Freedom. I believe in total *honesty* and *transparency*. That is why before I ever started blogging, I decided that I would share all of my own [financial stats](#). I do this not to brag, but instead to inspire motivate, and also to hold myself accountable. My goal is to be a beacon of hope, motivation, and inspiration for *you*, the reader, by living life by example and sharing it **all** here on the blog. My sincere hope is that you will be able to learn from me - both from my successes and my failures! [Read More](#)