

# [Guest Post] A High Income is the Road to a High Net Worth

*Today we have a guest post from [ESI Money](#). I only recently found his site a few months ago, but totally resonate with everything he writes. He has leveraged his career to not only become a very high earner, but through that career built up a net worth in excess of \$4M and retired early at 52. Over at his blog he writes about the three major pillars to building wealth; [Earning](#), [Saving](#), and [Investing](#). I am drawn to his site because he bust the myth that you can't get rich working for someone else.*

*I have invited Mr. ESI to show us how a high income (something we focus on a lot around this community) is the path of least resistance (and is the most fun) when pursuing a high net worth. He is not only going to cover the obvious, but will also give you some concrete tips you can start using immediately in order to grow your career, and ultimately become a high earner yourself.*

*I encourage you to click through some of the links ESI shares to dive deeper into what he is sharing (after you read the entire article of course ☐).*

*Take it away ESI...*

There are many ways one can reach financial independence (FI).

But the path I believe gives the best chance for success at a young age involves growing your income to a very high level.

It not only makes getting to FI faster/easier, but also more enjoyable.

As such, today I'll be sharing my three-step plan to a high net worth with most of the focus on how you can earn a good income.

## **My Background**

Before we begin, let me introduce myself so you know I'm not just some yahoo off the street. (Yes, we said "yahoo" when I was a kid.)

I was raised in a lower-middle-class family. I didn't know much about money other

than I didn't want to be poor when I grew up.

I got a college education, then an MBA. I spent the next 30 years growing my career, ultimately making millions of dollars and becoming the president of a \$100 million company.

This past fall [I retired](#) at 52 with a few million in assets, all organized to churn off about \$100k in income a year — all my family and I need to live on indefinitely.

My encouragement to you is that if a poor kid from the middle of nowhere in Iowa can accomplish these things, you certainly can too.

### **My Wealth Philosophy**

After managing and writing about money for quite some time, my wealth philosophy boils down to mastering three simple steps: earning, saving, and investing (ESI). That's why I started a website centered on these themes.

There are a [multitude of ways to put together E-S-I to become wealthy](#). But I want to suggest that the best way is to focus initially on growing your income. If you put time and energy there and see fruit from your efforts, the other two steps to wealth are rather easy and fall into place to give you a great net worth.

Sure there are stories of people who become millionaires while earning \$30,000 a year, but that takes a very long time. And it doesn't sound like much fun either, does it?

### **Super-Charging Net Worth by Growing Your Career**

So the main question is how can you earn more? The best answer by far is to grow your career. You know, that place where you already spend 40+ hours a week. Wouldn't you like to be paid more for that time? Oh, and how about the kicker of enjoying your job more to boot?

There are many reasons you should want to grow your career but the two big financial ones are: 1) It's a multi-million dollar asset over the course of your working lifetime and 2) there are concrete [steps you can take to make it worth more](#). If you don't believe me, whip out a calculator. If you earn \$50k a year over a 45-year career that's over \$2 million. Simple math.

Now tell me, if someone came to your front door and plopped down \$2 million, you'd make some moves to make it worth even more wouldn't you? Of course! So let's take that same approach with your career.

### **Most People Go with the Flow**

The vast majority of workers these days simply go with the flow at work. They “do their jobs”, but nothing more. They guess at what's expected of them, work hard at hitting that, and go home at night exhausted. Then they wonder why they only get a 2% raise (if that) and miss out on that big promotion.

There are two problems with this. First, “working hard” is not the answer. Quick: can you name someone who works hard and yet never gets a raise or promoted? We all can. That's because working hard gets you nowhere by itself. You need to work in the right way.

Second, other than working hard, they go with the flow. They let their employer and others around them dictate their success because they have no plan for growing their careers. Since they go with the flow, they get go-with-the-flow raises. They get go-with-the-flow promotions (which are few and far between). They get go-with-the-flow job assignments (which often leave much to be desired). Is it any wonder that most people hate their jobs? It's because they are going with the flow and the flow stinks!

### **Get Out of the Flow and Make Millions More**

For those who are willing to do better than that, there is a path. Over my career I learned through trial and error that there are [seven simple steps you can take to grow your career](#). If you apply these, no matter what you do for a living, your career will thrive and your income will be higher than what it would be if you simply go with the flow.

The impact of these efforts will be substantial. Even small gains over go-with-the-flow levels — just 1% or 2% more per year — could net you [several million dollars more over your career](#).

So while the go-with-the-flow-ers get their 2% raises, you get 3%, 4%, or more. You get that promotion every few years that bumps you up 7% to 10%. You sell your skills to a new company for 15% more. And then you end up with a large income

and the benefits from having one.

Don't believe me that there's more out there if you go for it? Well will you believe Kiplinger's? [Here's their take](#) on the situation:

***“Companies are forecasting 3% increases, similar to years past. But how that budget is spent may vary by person. Employees with the highest possible rating could see increases in the range of 4.5% to 5%, while low performers get an increase between 0.7% and 1%. Bonuses for salaried employees are projected to be 11.6% of pay, on average, with rewards for special projects or onetime achievements set at 5.6%, on average.”***

***“A lot of companies are making the process more about feedback than about performance rankings. That means there's a real opportunity to sit down with a manager and make sure there's a mutual understanding: What's really expected of me, how will I be measured, and how will that impact my pay?”***

This is exactly what I did. While others were getting 2% and 3% raises, I was getting 5%, 10% or more. Eventually I was making several hundred thousand dollars a year by focusing on seven simple steps.

But I was aimless. I had no guide. It took me much longer to advance by trial and error than it will take for you. Why? Because I'm going to give you the meat of how to get ahead in your career without all the trial and error I had to endure.

The even better news is that you don't have to spend 30 hours a week on your career to get ahead. Small, simple steps that make forward progress over a long period of time add up to big results. Simply resolve to improve a bit each day and over time you'll see a big impact. Overall you'll spend less than a few hours a week growing your largest asset and earning millions more. That's a good deal, right?

### **Most of You Will Ignore This Advice**

You're probably saying “Ok, just get to the point already!!!”

But there's a reason I'm spending so much time on why your career income gains can be both substantial and easy to hit: because if you really don't believe these, you'll never take action. And if you never take action, you'll never achieve your

potential.

After writing about these topics for over a decade now I can say that most of you reading this will ignore my advice completely. I've seen it happen time and time again.

Whether it's because you think you can't achieve these results, that they will take too much time and effort, you don't believe they will work, you're just too tired to spend another second on work, or whatever the reason, most of you won't follow through. I don't know why that is the case, I just know it is. And it's a shame since what I'm about to share can transform your earnings and help you realize financial dreams you thought might not be possible.

Hopefully, since you've read this far, you will continue on, see what I have to say, and take action to propel your earnings forward.

### **How You Can Get There**

We don't have time to go through each of the seven steps in this piece, so I'm going to cut to the chase and give you the cream of the crop — the best three ways to grow your career. Here they are:

1. Set up a [systematic way to over-perform](#). Do you have a written plan for over-performing? Of course not. Few people do. But if you develop one and then execute it, your career and earnings will skyrocket.

The keys are to sit down with your boss and agree upon what are required accomplishments for your position (similar to what Kiplinger's said above). Get these in writing and make them quantifiable (so there's no dispute whether or not you hit them). Then do better than the requirements. If you're required to deliver 5% sales growth, deliver 10%. If you're required to save the company \$20k, save it \$30k. Whatever the tasks, do more than what's listed.

The people who do only what's required get standard raises (because that's why they already pay you your salary — to do what's required — so if you only do that, why should they pay you much more?) The people who do more than expected, those who over-perform, get raises and promotions above what would be expected.

2. [Become likeable](#). Some studies show that being likeable is more important to career growth than performance. Luckily there are things you can do to become

more likeable, even if you think you're unfriendly or socially awkward. Believe me, I was in this category (a total introvert) so if I can be successful here, you surely can.

In short becoming likeable boils down to the golden rule: treating others as you'd like to be treated. Or better yet, like they'd like to be treated.

3. Be constantly [learning and growing](#). People who learn and grow develop new skills to help them over-perform. And as we've seen, over-performers get larger raises.

You don't have to take night classes or get an advanced degree to accomplish this task. Any form of learning that helps you grow and pick up worthwhile skills will do. Simply by listening to audiobooks or podcasts while driving to work, working out, or going for a walk is enough to keep you sharp, growing, and ahead of the pack.

Company-sponsored seminars and training are also great options. Volunteering to help non-profits is excellent as well. These organizations will often allow you to take on projects that your company might think are over your head — and through which you'll learn a ton.

That's it. Take these three steps and implement them into your life over the next year. Then build upon them the year after and the years after that. They will start to feed on each other over time like a snowball until they result in an earnings avalanche for you.

### **Save Where You Want To**

While making more is a big step toward FI, there's more work to be done. While your career is taking off and you're making more than ever before, you must hit the other steps to achieve FI.

But you also want to enjoy your life, right? This is yet another reason I like earning a high income.

Consider this: assuming they have the same retirement income needs, which person do you think would get to retirement faster and enjoy life more along the way:

- Joe makes \$50,000 a year and saves 50% of it.
- Jane makes \$200,000 a year and saves 30% of it.

Note that Jane 1) saves more each year and 2) spends more each year. She's living it up and will still beat Joe to early retirement. That's what I'm talking about!

This is a simple illustration of how earning a good salary allows you to accomplish multiple objectives at the same time. That's why it's fundamental to growing your net worth.

Here are my suggestions for making the most of your high earnings:

- **Be frugal where you want to be and spend where you want to spend.** I call this [moderate and selective frugality](#). You spend in areas you like and save in others you don't care about. For instance, we like traveling, so we spend on cruises and similar vacations. At the same time we live in a moderate cost-of-living city. We own a house that's very nice but well below what we could afford. We also don't buy fancy cars or wear designer clothes because they aren't important to us. That doesn't mean you can't have them. Perhaps you'd prefer that to traveling. That's great if you do. The point is you spend on what you like and control elsewhere. You just can't spend on everything.
- **Put saving first.** I always found it easier to sock money away from my paycheck before the money went anywhere else. You've probably heard this called "pay yourself first." I paid myself first by determining my savings rate, then putting that money to work automatically. For decades I contributed the max to my 401k. In addition, I had monies go from my paycheck to my brokerage accounts and into index funds. I set up a simple system to save a bundle from every check and get it working as soon as possible. It was easy, automatic, and very effective.
- **Sacrificing in early years gives you a head start.** If you have to live a little tighter at times, it's better to do it early in life. For the first several years we were married, my career was growing and we focused on two major objectives: paying off our debts and saving in my 401k to get the full match. We sacrificed other spending in the early years, but got everything, including the mortgage, paid off. That coupled with my ever-increasing earnings allowed us to save a ton plus really enjoy life for the 20 years we had before I retired at 52. It's like Dave Ramsey says, "If you live like no one else for a little while, eventually you'll be able to live like no one else."

This was basically the roadmap we used during the mid-part of my career. In fact many years we had a 33-33-33 budget — we saved a third, spent a third, and gave a third of our income. Because our income was high, we had plenty to do all three

and make substantial progress every year.

## **Invest to Millions**

So what do you do with all that savings you've freed up by earning a ton and controlling spending? Why you invest it to make a boatload more, of course!

We've all heard about the power of compounding. If you can get to the point where your money itself is making great amounts of money, you are on the way to vast amounts of wealth. This is why the first million is the hardest but after that it gets easier and easier.

As you know, there are three factors in making the most of your investments: time, amount saved, and return rate. Do you know which one is more important? Surprise! It's [time](#). This is why it's so important to invest early and often.

Initially, you'll want to focus on growing your money. For that I recommend stock [index funds](#), mainly because after expenses they are among the best investments out there. I tried picking my own stocks and that turned out to be one of my [worst money mistakes](#). Active mutual fund managers with all the people and resources in the world can't beat the indexes post-expenses, so why do I think I can?

Instead I focused on what I could control — saving a bunch and doing so for a long time. Once again, having a strong income is the key to being able to do this. If you make \$30,000 a year, you won't have much left over after living unless you live a very frugal life (which won't involve much fun). But if you make six figures, you'll be able to save a ton and invest that for growth, propelling your net worth to new heights.

At some point you'll want to shift your growth investments to income, especially as you see early retirement on the horizon. I did this several years ago as I moved from all growth index funds into [real estate](#). From there I branched out to dividend investing and P2P lending to create multiple streams of income. It's all these streams added together that allowed me to retire early and give myself complete freedom of time.

## **It's Up to You**

So that's it. Funny how the path to wealth can be summarized in one simple post.

But it's true. It's achievable. I know because I did it. And I know if you apply the same principles, you'll get the same results.

In case I missed something or there are parts that remain unclear, I'll check back on this post for the next few days to answer any questions you may have. I'm happy to help anyone in any way I can.

[GYFG jumping back in, since we are speaking of high incomes, be sure to check out [the new job search resource I have added for you guys here](#) and linked to in the main menu of the blog.]



## 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](#)