

# How to become a millionaire in 7 easy steps

By [Laura Bruce](#) • Bankrate.com

The road to wealth is not paved with infomercials. Those wee-hour TV staples would have you believe that you'll become "Fantasy Island" rich by placing tiny ads in the classifieds, or by buying up -- for no money down -- distressed property and selling it for millions.

Unfortunately, the only thing you're likely to get from watching those infomercials is dark circles under your eyes from lack of sleep. If you actually go to the seminar or buy the tapes, you'll probably just have more debt.

The truth is, unless you're lucky enough to receive a sizeable inheritance, you'll need to navigate your own route to prosperity. But while Bill Gates-style megawealth may be elusive, becoming a millionaire is definitely within reach of those who start young and develop the right habits. And anyone, at any age, can develop the traits that increase wealth and decrease debt.

"You can have money or you can have stuff, but seldom do you have both early in life," says Jason Flurry, a certified financial planner and president of Legacy Partners Financial Group, Woodstock, Ga.

"Part of our culture is, 'Fake it until you make it.' Debt holds people back. They buy liabilities and they make those payments forever. Spend less than you make, live a modest lifestyle and don't live up to every raise. Some people have spent their prosperity for the next 10 years and they've done it on credit."

It's a matter of choices

Flurry isn't suggesting you decorate your home in plastic lawn furniture, forego cable TV and dine on macaroni and cheese every night. But do you really need to buy a car that's so expensive that you must stretch the payments out five or more years? Do you have to have that 50-inch widescreen HD-ready TV right now?

Many people who choose wealth over "stuff" wouldn't consider spending money on the "latest and greatest" because they know their money can be put to better use elsewhere. Buying a "liability" would probably cause them stress because they'd rather buy an asset - something that will appreciate over time and give them a return on their investment.

Flurry says he has a hard time getting some of his older clients to spend their money.

"They've been savers all their lives and the thought of spending \$5,000 or \$10,000 on a vacation is ridiculous; it doesn't matter that they're worth \$3 million. They're really the

last Depression generation and it's burned in their memory that they need to squirrel away money."

#### 7 steps to wealth

Paring it all down, we've come up with seven steps to becoming wealthy. Remember, wealth is relative, it doesn't necessarily mean "millionaire." The goal for many people is financial independence, says Stewart Welch of The Welch Group in Birmingham, Ala.

"That's the point in time when your cash flow from investments is equal to or greater than your income from work. Look at the statistics: 95 percent of the population never achieves financial independence. For 65 percent of retirees, Social Security is their largest source of retirement income."

The No. 1 reason people don't achieve financial independence, says Welch, is they don't have a written financial plan. So, that is our No. 1 rule for becoming wealthy.

1. Develop a written financial plan. Saying you want to be wealthy isn't good enough. You need to come up with a workable plan and put it on paper.

"The written plan forces you to do something," Welch says. "Calculate what you need to earn and how to invest. The plan isn't just the goal, it's the whole thing -- the dream, the goals, the options. The options are scenario planning -- all the ways you can accomplish that goal -- open a Roth IRA, contribute to a 401(k).

2. Save, save, save. The end result of your financial plan should be systematic investment. Get in the habit of saving money. Build an emergency fund in a money market account so you don't have to raid the rest of your savings and investments when there's an unexpected major expense. Make it a point to save at least half of every pay raise.

3. Live below your means. Don't be a walking billboard for overpriced designer clothes, shoes, sunglasses or jewelry. Don't allow your house or car payments to be budget-busters.

4. Lay off the credit. Some people say that if you can eat it or wear it, don't put it on your credit card. That's good advice, but take it further. Try not putting anything on your cards that you can't pay off in two or three months. You need only one or two credit cards. If you have a fistful, pay them off. Remember, debt holds you back.

"It reduces cash flow for other things, including investing," says Welch. "If no one gave you money to borrow, you'd be better off and the economy would be smaller. If they only let you borrow 75 percent of the value of your home, you'd be a heck of a lot better off."

5. Make your money work for you. It takes money to make money, but that doesn't mean you need a lot to invest. Open an account with a mutual fund company that has no-load

funds and low expense ratios. Build a diverse portfolio and you can reasonably expect to earn 8 percent to 10 percent annually on your investments over the long haul.

6. Start your own business. In the 1996 book [\*The Millionaire Next Door: The Surprising Secrets of America's Wealthy\*](#), the authors state that two-thirds of the millionaires are self-employed, with 75 percent of them entrepreneurs, and the remainder professionals such as doctors and accountants.

"The idea that most people inherit wealth is outdated. A lot is built through businesses. Business creation is the No. 1 driver of wealth in this country," says Zultowski.

7. Get professional advice. A good financial planner can help you fill your portfolio with the right investments and dump the wrong ones. You don't need to relinquish control, but you do need to form a good working relationship with someone who has expertise in this complicated area.

"About 76 percent of those surveyed are actively involved in the day-to-day management of their financial affairs," notes Zultowski. "They get involved; they learn about finances, they're not day traders. They work with advisers but ultimately make their own decisions."

If you can't afford to have a financial planner manage your money, many of them will review your portfolio and make recommendations for a one-time fee.