



# WHO WANTS TO BE A MILLIONAIRE

*tips on  
making  
your first  
\$1,000,000*

BY NANCY BROOK

ACCORDING TO CITY-DATA.COM, THE AVERAGE HOUSEHOLD IN BILLINGS EARNS JUST UNDER \$50,000 ANNUALLY. OVER 20 YEARS, THAT ADDS UP TO ONE MILLION DOLLARS. HOW WILL YOU SPEND YOUR MILLION DOLLARS?

IF YOU'RE LIKE THE AVERAGE AMERICAN, YOU'LL ACTUALLY SPEND MORE THAN YOU EARN, RELYING ON EXPENSIVE CREDIT TO FOOT THE BILL. BUT NOTHING SAYS YOU HAVE TO BE AVERAGE.

Regardless of your past experience managing money, you can take steps to exit the debt pit and start building your nest egg – starting today.

### Creating your money success plan

Todd Vralsted, Vice President-Investments/Wealth Advisor at UBS Financial Services, says money management is much more than paying monthly bills. “Money management is about identifying the needs, wants and wishes in life, then creating a plan of action to accomplish those priorities.”

Here Vralsted shares some ideas to get you going in the right money direction:

Set financial goals. This is your money. How do you want to use it? Include short- and long-term desires. Maybe you want to save for a down payment on a house, build a fence or send your kids to college.

Vralsted suggests another must to make goals meaningful. “Share your goal with someone else. Then hold each other accountable.”

Plan a budget. Don’t roll your eyes at the thought of budgeting. True, it will be arduous, but only because it’s something you may have put off. Instead of dreading coming up with a budget, why not make it a fun weekend off? Vralsted advocates getting away with your spouse or partner, if possible. And if it’s not feasible, clear your schedule so you’re not distracted with household chores and weekend responsibilities. Send your kids to the home of a relative or friend.

During your budget weekend, your goal is to investigate how you’re spending money and start planning how you are going to achieve the goals you’ve set for yourself. Categorize expenditures into needs, wants and dreams.

If you would like a basic budgeting spreadsheet, go to <http://www.betterbudgeting.com/budget-formsfree-basicbudgeting.htm> and you can fill it out online. You can also search the Web for “budget worksheets.”

Differentiate needs and wants. “Sometimes people confuse needs with wants,” says Vralsted. “A need is food on the table, the basics. Wants are having steak and shrimp for dinner.”

Realize that the money you spend today will affect your choices tomorrow. Maybe you can qualify for a \$400 car payment, but if you buy a new car, that money can’t be used for other priorities.

Vralsted says many people need to shift their mindsets. “Make the decision that you want to do things differently. It’s not about the material things, but how you live your life.”

Reduce debt. Speaking of doing things differently, one of the most important decisions you can make is to reduce your debt. According to the Federal Reserve Board, household debt payments average more than 13 percent of disposable personal income. The only debt someone should have is a house payment,” says Vralsted.



Todd Vralsted in his office overlooking downtown Billings.

But what if you have other debt? “You may need to find ways to cut some of your discretionary spending to find the money to pay off debt.”

For some that may mean selling the new home to reduce mortgage payments, getting rid of new vehicles or trimming grocery expenses. If cutting expenses still doesn’t leave enough, then explore ways to make more income. Maybe a second job would be the answer or a stay-at-home

spouse may need to find a job to help pay off debt. Another option is to consider additional training and education to advance in your career.

While in the short-term, you may feel deprived, remind yourself why you are doing these things. View the changes as saying “yes” to your future.

Fund investments. Once you’ve eliminated debt, it’s time to think about funding investments. Vralsted recommends the first step is to set up

an emergency fund. Some offer a rule of thumb that six months of living expenses should be set aside. Vralsted says it depends on your job. A commissioned sales person may need more than six months of funds while a government worker with little risk of layoff may need less.

With the emergency fund established, the next step is to contribute to retirement plans. Vralsted says that 10 percent is the minimum he recommends for investing and the goal should be 20 percent of income.

Start with a 401K plan through your employer if matching dollars are offered. “That’s free money,” says Vralsted. “You definitely want to take advantage of it.”

Another great option is a Roth IRA. Money is set aside on an after-tax basis meaning you won’t get the tax deduction now. But the good part is that as the money grows, you won’t be taxed on it after retirement.

Regardless of the investment, a systematic approach is the best idea, says Vralsted. “The most important thing is to get started. There’s never a bad time, just better times.”

He points out that people get into trouble when they try to time the market. “Often, our instincts have us do the opposite of what we

should do. When the market is going up, we want to buy, and when the market is going down, we want to sell.”

An investor’s best friend is time. The stock market has averaged nine-and-a-half percent over the last 10 to 30 years.

Enjoy your rewards. Vralsted has advised customers for 14 years. He says the best part of his job is seeing the success of some of his early clients.

“I’ve seen them do the right things—create a plan, structure a budget and take action. It’s fun seeing that they’ve fulfilled their goals.”

Remember, over the next 20 years, it’s up to you to decide how to use the million dollars you earn. Decide to make this year the start of a bright financial future for you and your family.



## RETIRING IN YOUR 30's: JAMIE PEARSON DID, SO CAN YOU.



Jamie Pearson wanted to retire by the time she was 30. Her solution: become a real estate investor.

Pearson's inspiration started while she worked as the assistant to a successful Portland, Ore. entrepreneur right out of college. The decision to go for it full-time happened several years later when Pearson was working as an English teacher. "I wanted to take a leave of absence and go to Europe with my children. My principal said I couldn't because I had 150 other children to think of."

The thought of restricted freedom didn't sit well with Pearson. "I remembered my original goal – and knew I had to be done working for someone else."

Pearson retired last year – in her 30's.


A self-educated real estate investor, Pearson and her husband own multiple rental properties in the Billings

area and manage many others. Her practical advice is golden for anyone who wants to get started as a real estate investor.

Listening to Pearson is like inviting a motivational speaker into a conversation. She's one of us: a native Montanan with a husband and two kids. Yet, there's something more – a drive to excel which she conveys to others.

"Anyone can be an investor," she says. "You just have to make the decision that you want to do it."

So why don't more people invest? Pearson says we put up our own roadblocks. She has answers for all the common excuses.

No money or bad credit? You can still find deals that require no money down or credit. No time? If you watch TV, this isn't an excuse. No knowledge? Study real estate investing and become involved in a real estate investment group. 

**1. Make a commitment.** You're going to have to put in the time to learn the business and do your research. Start learning about prices for houses so that you can spot a bargain when you see one. Two ideas: read Billings Gazette homes for sale classified ads and search for properties on the Billings Association of Realtors Web site ([www.billings.org](http://www.billings.org))

**2. Find extra money for investing.** Set aside funds that you can use for a down payment or for repairs. If you don't have extra money, you may need to make lifestyle changes. Do you have 150 cable channels? Smoke? Eat out? Drink lattes? Shift the money you spend on these extras to a savings account so you can build your future.

**3. Decide how much money you want to make and work backwards.** If you want to quit your job, how much money will you need to earn every month? Do the math. If you want to replace \$4,000 a month, you'll have to find 40 deals that earn \$100 a month after PITI (principal, interest, taxes and insurance). That means if you do 10 deals a year, you can quit your job in four years. (Keep your day job until you can really replace your income.)

**4. Learn from others.** Join a real estate investment club. Locally, you can attend the Big Sky Real Estate Investment Club, which provides educational and networking opportunities. (Pearson is club president.) The meetings are held the last Thursday of the month at 6:30 p.m. More information is available at [www.thebric.org](http://www.thebric.org).

**5. Create your success team.** The key to becoming a successful investor is networking. You'll need a few good Realtors. One who is involved in lots of deals, one who is tried and true, and one who is newer who can take the time to give you service. You'll also want to add a banker, lawyer and title company representative to your team.

**6. Think win/win.** Treat people fairly and respectfully—including sellers, renters and your success team members. It pays in the long run.

**7. Be your own property manager for your first few properties.** This saves you money and teaches you about managing properties. It's also a great idea to learn some basic repairs—even if you're not handy. Local hardware stores frequently offer free home repair and improvement seminars, and the Internet has many resources to help you learn just about anything.

**8. Save the rental property income you are earning.** Don't use it for living expenses. Otherwise, you'll have a new level of income to replace—your job's salary plus the money you are earning from investments.