

# 10 Habits of the Rich

Yes, you can become a millionaire on an average income. Follow these 10 simple habits of the rich and you will automatically become wealthy.

1. **Get rid of bad debt.** This should be the first step to creating wealth. Good debt may be a mortgage on your own home or investment property, a student loan, or a business loan. Generally, everything else is bad debt and you need to eliminate it before embarking on any wealth building plan.
2. **Prioritise your spending.** Always look for ways to spend less. Stop all impulse buying, and only buy things you really need. You need to live life, so decide what is most important to you and by all means spend money on the things that give you a real sense of happiness, but don't spend money on things that are trivial to you.
3. **Pay cash for consumer goods.** Yes, this includes your car. Save up until you can afford it. This is called delayed gratification. Never buy anything on hire purchase or with a personal loan. You will usually get a discount on the sticker price if you hand over the hard stuff.
4. **Ditch the credit card.** Most banks now offer debit cards, which you can use just like a credit card, except you are spending your own money, not going into debt and paying interest.
5. **Buy a used car.** One of the best ways to throw money away is to buy a brand new car. Many millionaires never buy a new car because they know how much it depreciates as soon as they drive it off the yard.
6. **Pay yourself first.** If you don't have a mortgage on your own home, set up an automatic payment diverting at least 10% of your income into an investment vehicle. Doing this forces you to live on less than you earn, an essential element to wealth creation.
7. **Pay less tax.** Most New Zealanders don't realise how much tax they really pay. It's not just PAYE. Accountants have calculated that if you are earning \$50,000 a year as an employee, you are paying over half of it back in taxes! You can get access to a myriad of legal tax deductions through having a home-based business or investment property.

8. **Pay for your financial advice.** That's right – if you want truly independent advice, make sure you're the one paying for their services, not a third party finance company with juicy commissions. And remember, your bank manager is not your friend, and certainly not your financial advisor.
  
9. **Get financially educated.** Make it a habit to read about money and investing on a regular basis. The more knowledge you have, the better your financial decisions will be.
  
10. **Pay off your home mortgage as quickly as possible.** If you have a loan on your own property, pay off the debt as soon as you can. Put every spare cent into reducing your principal. This is one of the most effective ways to grow rich, if you know how. Once you are mortgage-free, you can divert the funds you were using for your mortgage payments into investments instead.