

Are You a PAW?

Are you a PAW (a prodigious accumulator of wealth) or would you like to be? *The Millionaire Next Door* by Thomas D. Stanley and William D. Danko sets forth the profile of the PAWs in our society and raises several questions and concepts about accumulating wealth.

What is wealth? As a consumption-based society, we have a tendency to perceive a person's wealth by the accumulation of material possessions; however, the premise of the book is that true wealth is not based on the accumulation of material possessions but on net worth or the accumulation of income-producing or appreciating assets. Net worth as a measure of wealth is not a new concept but how many times in our lives do we fall victim to defining wealth in terms of possessions – in many cases not even realizing we do it.

How much wealth should you have accumulated given your age? Of course the ultimate answer depends to some extent on your life goals but the book tosses out one rule of thumb. Multiply your age times your pretax annual household income from all sources except inheritances. Divide the answer by 10. Subtract any inherited wealth and, according to the authors, this is what your net worth should be.

$$\text{Age} \times \text{Pretax Income} / 10 = \text{Desired Net Worth}$$

Another way to analyze this is to consider how many years you have until retirement, how much you are able to save annually towards retirement and how much it will cost to maintain your lifestyle in retirement taking inflation into account. The answer to this is sometimes surprising and sometimes daunting but with planning it can be achievable.

In the authors' study, one of the common characteristics they found among millionaires is many of them live by a budget. Millionaires tend to know how much they spend during the year on various household things while non-millionaire high-income earners tend not to keep track of their spending. In essence, millionaires plan their consumption. What about those millionaires that don't live by a budget? The study found that many of them created an artificial economic environment of scarcity basically by paying themselves first. They invested first and paid their expenses with what was left.

If you need help with any of the above calculations or in setting up an "accounting" system for your personal finances, we can help.

Congratulations
to **Marvin Strait, CPA,**
for winning the
Dove of Peace Award
from the Jewish-Christian
Dialogue.

The Dove of Peace Award
is an annual award given
for work advancing
Jewish-Christian relations.

Get Ready for Tax Season!

Please find enclosed a Year-End Tax Planning Letter outlining need-to-know information for tax season!

Staff Happenings...



Alex Butler

Alex Butler joins SKR+Co. as a Tax Consultant. She graduated from the University of Notre Dame with a master's in Accounting and received her bachelor's degrees in Business Administration and Accounting from Elmira College, Elmira, NY.



Jordan Empey

Jordan Empey has been hired as a Tax Consultant. Empey graduated from Oral Roberts University with a bachelor's degree in Finance. As a Tax Consultant, he will be responsible for preparing working papers and tax returns for review, as well as conducting tax research for the firm.



Lynda Nesheim, CPA

Lynda Nesheim, CPA, returns to SKR+Co. as a Senior Tax Consultant with over 12 years of tax experience in public accounting. She will be responsible for reviewing working papers and tax returns prepared by Tax Consultants and other tax department professionals. Nesheim will also work to identify potential tax issues and perform research to present proposed solutions to the company.



Patrick Ryan Rudy

Patrick Ryan Rudy has been hired as an Audit Consultant. Rudy graduated from The Master's College with a bachelor's degree in Business Administration and Accounting. In his role as Audit Consultant he will prepare working papers for audits, reviews, compilations and other audit service engagements.

Don't simply retire from something; have something to retire to.

— Harry Emerson Fosdick

www.skrco.com

Insider Account is published quarterly for the benefit of our clients and business associates of stockman kast ryan+CO., LLP. It is intended to provide a general review of current issues concerning taxes, management, accounting and financial planning. But, it is not a complete study of all issues, and we invite you to call us for further information, or with comments, suggestions and questions concerning *Insider Account*. Contact Rose Durham, marketing director, at (719) 630-1186 (phone), (719) 630-1187 (fax) or rdurham@skrco.com. Mail correspondence to Rose Durham, stockman kast ryan + CO., LLP, 102 N. Cascade Ave., Suite 400, Colorado Springs, Colorado 80903.