The richest man in Babylon also lives in Australia

*The Richest Man in Babylon** is one of the greatest books on accumulating wealth ever written. Its basic premise is that part of all you earn is yours to keep.

Make sure you pay yourself

Most people work hard at their jobs, yet at the end of the week they pay everybody ***but*** themselves. Heaps of dollars go to places like the bank and the supermarket, but the workers get to keep precious little.

What is the point of working for 50 years if most of what you earn ends up in somebody else's pocket? Too many people pay rent all their lives and have no money invested for retirement. When they retire they have no hope of buying a home so are dependent on rented accommodation and the pension for survival. They are never in control of their lives.

Wealth is like a huge tree that grows from a tiny seed. It takes a long time to grow but, provided it is watered and fertilised regularly, it will slowly but surely grow at a faster and faster rate.

If you go to the Gordon River area you will see magnificent Huon pine trees. Then you see little straggly ones that are no more than two metres tall and it may come as a surprise to discover these tiny specimens are already nearly 100 years old. Everything that is worthwhile – whether it be a good marriage, a huge tree, or a sound financial position – takes time to develop.

The problem with financial losers is that they can never wait for anything. They are like a child who plants seeds and then digs them up every day to see how much progress they have made. Of course the seeds never progress at all and the child soon loses interest.

Remember the miracle of compound interest and how it can sensationally increase the amount of money we can accumulate. Our savings are the 'seed corn' for our money tree and compound interest (plus added investments) is the fertiliser that causes the fast, lush growth. If you wish to travel down the road of financial independence you will need to start, and then maintain, a money tree.

Where does the money go?

Consider what material things the average couple has to show for a lifetime of working. If fortunate, they probably own their own home and have some superannuation. Both of these were acquired on the principle of keeping something out of each pay packet. If they had not practised that rule, unconsciously or otherwise, they would own nothing but a few clothes, a car and some household appliances.

The house was probably purchased on a small deposit and paid off over many years. Although the initial payments were mainly interest, a tiny portion went to reduce their loan. That was the foundation of their money tree. Think of the interest as rent and the small debt reduction as compulsory savings. As the years went by the loan got smaller so the interest portion of each payment reduced. Because the interest was less, the debt reduction part automatically increased. Without necessarily knowing it, they were practising one of the rules of becoming wealthy.

Their superannuation is there because employers are required by law to put money into superannuation on behalf of their staff. The amount was small at first, but grew faster and faster due to a combination of employer contributions and super fund earnings. Smart employees topped it up with their own money. That was the next limb of their money tree.

The only way we can exist if we stop work is by having our own money working for us, or by accepting government benefits. If our money tree is planted early enough, and helped to grow quickly by frequent mulching with savings, it will bear more dollars than we are likely to need when we wish to retire.

* This book is now in the public domain and can be sourced from many websites by googling the title.

By **Noel Whittaker**