



I MAKE
\$100,000
and
LIVE PAYCHECK
TO PAYCHECK

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After practicing financial planning for many years, we've found a new financial phenomenon spreading like cancer. There is a growing population of people between the ages of 30 to 50 who make more than \$100,000 per year and are literally living paycheck to paycheck. Are these people lacking a college education? No! Are these people lacking a comprehensive set of benefits from their employer? No! Are these people who are having lots of money garnished from their paychecks every two weeks? No! So how is this group getting so far behind financially while making so much money?

According to a report from the Consumer Federation of America and the Consumer Planner Board of Standards, Inc., over a quarter of household's lives paycheck to paycheck. Many Americans do not even have enough money saved up to weather a financial emergency. In other words, hundreds of millions of people are one mishap away from joining the ranks of the millions of Americans living below the poverty line. All of this speaks to the financial difficulty going on across America, but how are the higher earners facing the same challenges?

The first problem we see is that many of these households have never made themselves a spending plan. They worked really hard to get to a six figure income, and when they finally get to that level they figure it is enough income that they really should be able to buy whatever they want. If they feel like eating out four times a week then it's no problem. A holiday vacation in Costa Rica during the most expensive time of the season . . . then I am worth it. Designer clothes or merchandise on sale . . . then get it while there is a deal. Since there is no measurement system in place holding a six figure income family in check on how much they spend, unfortunately many of them are spending everything they make. In addition, they can't account for where they spend it when you ask them.

The second problem we see is that most of these people do not have a pay yourself first mentality. They have a pay myself last mentality. Since there is an internal level of arrogance that there will be a never ending supply of jobs that will pay them \$100,000 or more because of their skill set, the urgency to put away money for retirement or a rainy day generally falls to the bottom of the pile. We encourage these types of earners to get used to living off of their base income and bank their bonuses. Six figure paycheck to paycheck families generally spend their bonus by earmarking it for a discretionary expense before the money even comes into their household.

The third problem we see is that the six figure paycheck to paycheck earner feels ashamed to have to ask for professional help. We all know how hard it is to make a \$100k let alone \$300k or \$400k

in household income. Earners at this level tell themselves that if they are smart enough and good enough to make this type of income that they should be able to figure out their family finances. How hard could it really be?? The flaw to this logic is that it takes a specific set of skills and expertise to know how to build a family financial plan, balance sheet, and income statement. It also is extremely hard to discipline yourself which is why many of these people are living paycheck to paycheck.

The last problem is simply making poor financial positions without looking at the entire picture. Many six figure income households will either buy too much home (or too many homes), too pricy an automobile, or not consider the ramifications on items like sending their kids to private school versus public school. By making poor choices around their total financial picture, it puts a tremendous amount of strain on having to earn more versus living comfortably off of the six figure income.

In a CFP Board Survey, more than twice the percentage of respondents who identified themselves as planners -- in comparison to those who admitted to not having a comprehensive financial plan -- said they are also living comfortably. This gap between planners and non-planners held true across income brackets -- households making just around national median income as well as those earning an excess of \$100,000. We believe this trend will continue in America without more families getting back to basics and building a sound financial plan. Do you have little to no debt? Do you have an adequate cash reserve? Are you paying yourself first to reach your financial goals? Are you adequately protected? Or, are you just one paycheck away from wondering where your next paycheck will come from? Make a smart money move and build a plan to turn your six figure income into a seven figure net worth!

Monthly Budget Plan

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