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Are You a Spending Optimist?

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You want to find success, right? I mean big success. Not the kind that is just surviving, but the kind that can catapult your results overnight like the next person featured in INC magazine - and you're willing to do whatever it takes. You'll work hard, make sacrifices and are willing to spend every last penny you have to bring this dream to fruition.

While all of these things are admirable, it's possible that, in your frenzy of good intentions and vision, you might have caught a case of what my friend Patrick Gentempo calls "spending optimism" and it could be your undoing.

What is Spending Optimism?

Spending optimism is when you are so fixated on growth and moving forward that you begin writing checks based on money that might come in sometime in the future. This usually requires you to live right on the edge of what you can afford for your business because you buy or invest in things at the first second you have the money (or credit) available to you.

I see this all of the time and have even been in that mindset at times, but it violates several very important rules of wealth building and has lead to the collapse of more than one empire in the making.



How it Happens

You have a big vision or idea of how you're going to grow your business and you begin taking action. Unfortunately, your vision is bigger than your current bank account so you spend every dollar you make and are even willing to go into major debt. In the beginning, it seems like it's so worth it because you see progress happening and you're sure that as soon as you move past the next big obstacle, things will loosen up a little financially.

However, once you've conquered this next obstacle, you're able to see another huge opportunity so you do whatever it takes to pursue that next step by borrowing even more money, mortgaging your house or using up lines of credit. At this point, you're really running the red line but it feels good and it's exciting because this is living your dream in fast forward.

But then it happens. Something doesn't go your way and you have a down month or two. The cash you were sure was on it's way has gotten bottled up or delayed and you don't know what to do. You're tapped out because you've been building your vision and now all of your hard work is in jeopardy. You're feeling desperate and willing to do nearly anything to keep this dream alive. But if next month isn't your best month ever, you're in big trouble and the whole plan might implode. Then you wake up one day and find yourself asking, what happened?

Thomas Jefferson said, "Never spend your money before you have earned it." There are many variations of spending optimism, like buying a new, bigger house based on what you hope to make next year. Or, spending all of your money to expand your business on a huge scale. Or incurring debt to live the high life because you're sure it's just a matter of time before you can pay off this debt and

continue to live in style.

Unfortunately, spending optimism leaves you cash poor, can undermine your abundance mindset and leaves you vulnerable to any minor bump that may slow down your optimistic plans for the future.

Warren Buffet said, "When the tide rolls back, you find out who's been swimming naked." Like swimming naked, spending optimism left unchecked can be temporarily exciting, but may lead you into a compromising position.

Here's how to know if you're a spending optimist:

- You can't keep money in the bank and you're always looking for ways to "invest" rather than building liquidity appropriately first.
- Even though you make a lot of money, if the cash doesn't show up for a month or two, you'll be in big trouble.
- You're expanding before you've built your cash reserves to help you weather the storms that may be coming.
- You find yourself justifying the use of credit or emergency savings because you're sure that you'll be able to pay it off (or pay it back) in the next month or two, so why wait?
- You believe that as long as you continue to produce more everything will work out but you feel like you're always having to outrun your bills each month.

These are just a few of the symptoms of a much bigger problem which must be addressed if you are ever going to make the difference you want to make in the world and fulfill your vision. The reality is that the tide is going to roll back on you at some point; it's a part of life. Every month can't be your best month and every year can't be your best year. Believing the fallacy of things always going up is exactly what created the stock market and real estate bubbles of the past decade, and you've seen what that turned into.

I'm not saying to think small or to give up on your vision. I'm saying that if your vision is important to you, build it right. Put the steps in place to make sure your foundation is stable. Skipping over things like that "pesky health insurance" in order to grow your business is just asking for trouble.

So, in pursuing your vision, be smart and create certainty. The road to greatness is yours for the taking, but you won't rise to the top untested so be ready. Having adequate liquidity and cash reserves is vital. Expanding and spending need to be part of an overall plan that has contingencies and doesn't force you to be in a hurry. I'm talking about "Get Rich for Certain" not, "Get Rich Quick" because the later may exist for the short term, but rarely creates lasting success.