

Timeless Money Lessons for Investors of All Types

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Timeless Money Lessons for Investors of All Types

By Robert Rapier
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In the past couple of years, my two oldest children have entered the adult workforce. My daughter is a special education teacher in Hawaii, and my oldest son works on a utility crew in Colorado. For the first time, they have incomes that are large enough to eventually make them wealthy - if they heed certain rules.

Over the years, I tried to impart some wisdom to them about money. I am finding now that those lessons did not really stick. I guess experience really is the best teacher.

My daughter finally understands about tax withholding because most of her colleagues got a tax refund this year - and she didn't. That led to a lesson about taxes, an explanation of why some people get refunds, and an adjustment to her withholding.

Don't Build a Life on Credit

Hawaii is a tough place to live on a school teacher's salary, so she has to budget a lot. She has quickly become a student of my most important lesson for long-term financial success: No matter how much you earn, find a way to spend less.

It has been a tough lesson to learn, but it is a valuable one. If you start building a life based on credit, you will always be in the hole.

The difference between spending 1% more than you earn versus 1% less than you earn can easily add up to half a million dollars over a career - assuming you are investing that 1% excess.

So, my lessons to her have been about not carrying a balance on credit cards, utilizing at least an employer match in a 401k, and creating a budget and tracking her spending so she understands clearly where there are opportunities to save.

Different Lessons, Different Circumstances

My son is in a very different situation. His utility crew moves from hotel to hotel, and he has almost no expenses. He could easily save 90% of his paycheck. But, when he told me how much he has in the bank, it was only about a third of what he has earned in the past six months.

While my daughter would love the luxury of banking a third of her paycheck, my son could not really account for over five figures of income in recent months. He was surprised when we calculated the difference between his paycheck and what he had saved. An investigation into his spending pretty quickly revealed a major culprit: he was eating out every night.

I told him that I know what it is like to live out of a hotel, but eating out every night can quickly chew up discretionary income. I advised him to stock up on some groceries and forego eating out as much. It is the same advice I would give to anyone struggling to save money. Scrutinize your budget, determine where your money is going, and adjust accordingly.

The real lesson here is to maximize your incoming cash flow.

That is done by:

- (1) increasing your income to the greatest extent possible; and
- (2) minimizing outgoing expenses, especially parasitic ones like ATM fees and credit card interest.

Invest for the Long Haul

As I stressed to my son, nobody is saying you cannot enjoy life. But the future is coming whether you plan for it or not. Small sacrifices today can lead to huge rewards once that future inevitably arises.

Now that my kids are saving some money, the conversations have turned to investing. I have explained stock market investing by highlighting companies that are familiar to them.

I explained how a \$1,000 investment in Walmart when shares were first public would have grown to more than \$7 million and would currently pay about a quarter million dollars in annual dividends.

I also plan to introduce them to options. I will show them how options allow you to buy stocks at a discount and also add a few percentage points of returns to those you already hold.

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ABOUT THE AUTHOR



It is hard to imagine anyone better suited to covering the energy-investment waterfront than Robert Rapier. Robert is no armchair analyst—he has two decades of in-the-trenches experience in a wide range of fossil fuel and biofuel technologies, including refining, natural gas production, gas-to-liquids, ethanol production and butanol production. During a six-year stretch at ConocoPhillips, Robert ran a team of engineers in Scotland working on oil and gas projects in the North Sea.

For two years, Robert was an efficiency expert in a Texas petrochemical plant. The process changes he implemented saved the facility \$9 million a year. He later worked as the Engineering Director for a Dutch environmental-technology company and provided engineering support for a Chinese facility the company was constructing.

Robert was also a butanol engineer in Germany for the Celanese Corporation, where he designed a novel butanol unit that cut production costs by \$5 million per year.

In all, Robert has spent more than a dozen years working on liquid fuels technologies. Along the way he has picked up five patents, including one for a breakthrough way to convert ethane into ethylene (U.S. Patent 7,074,977).

Now, in addition to guiding readers to timely energy plays in his twice-monthly *Energy Strategist*, Robert travels the world evaluating start-up energy companies for deep-pocketed investors. After grilling management and assessing the technology on-site, he makes a go/no-go investment decision. His wealthy private investors and hedge fund backers trust him to make the right choice for the same reason we do: his vast real-world experience in just about every facet of the energy industry. If Robert votes thumbs-up, millions of dollars flow into these cutting-edge outfits.

Robert earned his master of science in chemical engineering and a bachelor of science in chemistry and mathematics (double major) at Texas A&M University. He tells us he was “this close” to finishing his Ph.D. before he decided he was having a lot more fun making money in energy stocks.

A prolific writer, Robert’s articles have appeared in *Forbes*, *The Wall Street Journal*, *The Washington Post* and the *Christian Science Monitor* — and he has been a featured expert on *60 Minutes* and *The History Channel*. His new book, [*Power Plays: Energy Options in the Age of Peak Oil*](#) (Apress, 2012), helps investors sort through doom and gloom, hype and misinformation to understand the true costs, benefits and trade-offs for each of our major energy options.

In what little spare time he has left, Robert consults for a number of energy projects, including biodiesel, ethanol, butanol, and biomass gasification facilities.