

Career Path: How Not To Get Rich

Career Development



Most people think that the way to get rich is to earn more money. “Well, duh!” I hear you say. “We didn’t really need you to tell us that earning more money will help you have more money.” Perhaps. But let me give you another perspective.

I started my career as a corporate lawyer in one of those New York firms that gets headlines every year for the outrageous salaries they pay starting associates. What junior lawyer is worth US$200,000 per year when they know how to do exactly nothing? By the way, those are the current salaries, not what I made when I started!

To the junior lawyers themselves, if they have a shred of self-awareness and humility, they know this is a great scam and there must be some catch. There is a catch, and more than one. To start, those junior lawyers will work hard, hard.

For me, this is when I first became acquainted with what a 100-hour week feels like. For the mathematically inclined among you, it is more than 14 hours a day, every day, no weekends, or days off.

In hindsight, I can be grateful for those initial grueling days. Why? Because no one else's idea of a long week could compare. When I started working only 60-80 hours a week as in-house counsel, it felt like a breeze. I genuinely considered a 40-hour week to be working part-time.

The other catch is as outrageous as your starting salary was, the law firm was charging your time out to clients at a much higher rate. Consider: An annual billing of 2,000 hours, which when I started would have been considered modest, at an hourly rate of US$500, also not at all unusual these days for junior lawyers, means that your law firm is charging clients US$1 million for your services.

Yes, your firm must cover a lot of overhead and they don't bill all your time, etc., but that still leaves a

tidy profit. The pyramid is highly leveraged on the backs of associates. You can assume law firm partners are clever businesspeople in touting those headline salaries, which is why there are more than 80 US law firms with profits per partner more than US$1 million.

Back to getting rich. You would think that earning a salary of US$200,000 per year, let alone US$1 million per year, would be a guaranteed path to riches. Alas, for many their salary is no indication of their likelihood to become wealthy.

Why should this be so, you ask? Let's say you are a lawyer in New York City, as I was, a common location for such high-earners. Similar to most big cities, your taxes are high (easily 50 percent all-in) as is your cost of living (say 30 percent for housing, and another 10-15 percent for living expenses). You might be left with something like 5-10 percent of your gross income to spend.

Where does it all go? Many possibilities, among them these:

- You have a nanny, perhaps a cleaner;
- You take expensive trips because after all, you work so hard, you deserve to treat yourself on the rare times you take off;
- You have a second home because even though you are working crazy hours, you can't expect your family to sit around waiting for you in a small city apartment; and
- Those kids will need to go to college.

The far more relevant questions to ask in determining a person's propensity to become wealthy are these:

> **"How much of your income are you able to save?"**

and

> **"Can you manage to regularly spend less than you earn?"**

If you can spend less than you earn, and you start to invest your savings in low-cost funds that track the broader stock market, you will be on the path to leverage the power of time and compound interest.

We have among us people who are well on the path to achieving independence at levels of wealth far below what we usually assume is necessary. I refer to adherents of the "Financial Independence Retire Early" movement, or FIRE.

These people are proof that you do not need wealth as it is traditionally defined (in money) to be happy. One way not to get wealthy is to think that you need a lot of money to be rich. Another way is to mistake your income for wealth and spend more than you earn.

The keys to wealth, health, happiness, and so much more, are small steps that you take gradually over long periods of time. Spend less than you earn, no matter how much you earn, and you will be on a path to good things. Then it is just a matter of being patient.

Be well.

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