SATTREX CAPITAL

WEALTH THAT GROWS AND LASTS FOREVER • PART 1

The 8 Governing Principles of Wealth Management

Mastering Principle No. 1: "Pay Yourself First" & Expense Control

> *"Let us encourage our children to save 20% first and then spend the balance of what we give them."*

There are **EIGHT fundamental principles** that govern the science of wealth management. Like the 8 cardinal directions on a compass, these principles help us navigate the sea of life. If we violate these principles, one of two disastrous outcomes will occur:

> **1. The wealth we have acquired will disappear, or**
> **2. It will put us in severe financial distress even if available adequately.**

1. THE 8 COMPASS PRINCIPLES OF WEALTH MANAGEMENT

THE 8 GOVERNING PRINCIPLES ARCHITECTURE

Principle 1: Income - Savings = Expenses *(Pay Yourself First Formula)*	**Principle 2:** Regularity is the Key to Wealth *(Consistency Over Yield/CAGR)*
Principle 3: Start Early & Reach Safely *(Power of Compounding)*	**Principle 4:** Gold & Greed Can Never Stay Together *(Risk Management)*
Principle 5: Purpose Must Decide the Choice *(Goal-Based Investing)*	**Principle 6:** The Financial Pyramid *(Protection First)*
Principle 7: Draw the Map Before Starting the Journey *(Comprehensive Financial Plan)*	**Principle 8:** Professional Support Helps *(Institutional Guidance)*

2. DEEP DIVE: PRINCIPLE NO. 1 — "INCOME - SAVINGS = EXPENSES"

The vast majority of people on Earth follow the flawed formula: **Income - Expenses = Savings**, all the while aspiring to become rich and wealthy. This formula does not work in real life because expenses expand to consume available income.

Over 2,000 years ago, the ancient Tamil saint-poet **Thiruvalluvar** wrote in the *Thirukkural*:

> *"Even if the Income were to be small in volume, It is not a matter of concern as long as the expenses are contained within the Income."*
>
> **— Thiruvalluvar**

This means the secret of wealth management is not income management, but **outgo (expense) management**.

Similarly, **Prof. Adam Smith**, known as the father of modern economics, wrote in *The Wealth of Nations*:

> *"Capitals are increased by parsimony and diminished by prodigality and misconduct. Whenever a person saves from his revenue he adds to his capital."*
>
> **— Prof. Adam Smith**

3. THE PSYCHOLOGY OF EXPENSE CONTROL: PROVISIONING FOR TWO SELFS

These words of wisdom do not mean we must live like misers and deprive ourselves of life's essentials. Rather, they guide us to be disciplined about spending on non-essentials.

We have witnessed giant airlines and entertainment conglomerates collapse not from a lack of revenue, but because they failed to exercise control over their outgo, burdening themselves with unsustainable expenses and debts. The same fate befalls individuals and families who do not control spending.

THE SUREST METHOD TO CONTROL EXPENSES:

Make Limited Money Available for Current Expenditure

When you earn money, you must provide for two people: **1) Present You** and **2) Future You**. By deducting a fixed percentage (e.g., 20%) into savings first, you restrict the remaining pool available for daily lifestyle spending—guaranteeing that Future You is never left at the mercy of unpredictable future earnings.