

INDUSTRY | VALUES | WISDOM

Success requires a 1099 mentality

You must understand that we are each responsible for our successes and failures. We are not entitled to success we must earn it. And finally, we always pay for what's important.

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In January, here in United States, most of us receive one of two types of income statements to provide to the IRS. A W-2 comes to those of us that are employees and a 1099 comes to those of us that are self-employed. There are more differences though between being employed and being self-employed than receiving a different type of income statement.

I graduated from college with a Bachelor's Degree in Education and became a high school teacher. Six years into that career I decided that \$13,600 a year was not going to allow me to own a home or to live the life I wanted to live. I began to look for a different job. Unfortunately many businesspeople believe that someone teaches because they can not do anything else. Because I had no office skills, like typing or shorthand, I was unable to find a job. Then one Sunday I saw an ad in the classifieds. It had a picture of a woman and under her picture it said "I made \$13,600 my last year teaching, this year I made \$42,500". I answered the ad and in a few weeks found myself an independent contractor in an investment business. It was in enormous transition for me.

I knew nothing about business, nothing about investments and certainly nothing about being self-employed. My first year in that business was not spectacular. I earned \$15,000. But because I was willing to learn the following year I made \$45,000, year 3, I made \$80,000 and in year 4, I crossed the \$100,000 mark. That was a lot of money in the early 1980s.

***I had to learn about business,
about investments and about***

sales but the most difficult part of the transition was going from an employee to someone self-employed.

A few years later when I was attempting to explain to a group of people the difference between the two I used the concept of a 1099 mentality versus a W-2 mentality. Let me share that with you.

Not everyone who is an employee has a W-2 mentality, in fact those most successful have a 1099 mentality. But I can guarantee you that every person who is successfully self-employed has a 1099 mentality. Here is the difference.

A W-2 mentality:

Says, **"I am not responsible."**

It is always someone else's fault. If an executive makes a mistake he or she blames it on the secretary. If the secretary makes a mistake he or she blames it on the boss. If the employee doesn't get a raise it's because the system is unfair. And we learn to do this very early. I learned it at my first part-time job when I was in my teens.

I worked in a discount department store as the switchboard operator. The store owner was somewhat volatile, especially if you cut him off of a long-distance call which I did periodically. One day I was telling the daytime switchboard operator about the way he had screamed and yelled at me the night before. She said to me, "Kathy, the next time you cut him off and he comes out of his office yelling you simply raise your hands and tell him you didn't touch it. It must have been the operator on the other end." I never had a problem again, but those other operators sure cut people off regularly.

Watch your language you will be able to easily tell whether or not you are accepting responsibility.

Any language of blame or fault about another person means you are not accepting responsibility for your own success. For example, "my group just doesn't work hard enough, if she had done x then I would have made, if the company hadn't done x then I would have been successful."

People who don't accept responsibility will answer the question "Why haven't you been successful" with a list of a number of things and people but their name will never be on it.

Says, **"I am entitled."**

I am entitled to a raise, to a promotion, to vacation, to take time off periodically for "mental-health days" and various other things. Ask anyone that has ever been an employer and they can give you example after example of this mentality.

Says, **"Someone else pays."**

You would recognize these people if they're in your business. These are the ones who say, "You mean I have to pay for product, brochures, a web site, leads..."

I remember when I interviewed for that position with the investment firm. One of the first things the manager told me was that I would be responsible for paying for my licensing fees. The cost was \$595. I can remember thinking "I can't believe they expect me to pay for this." I decided however that I wanted the position enough to go to my parents and borrow \$595. I had been teaching six years but I didn't have \$595. Borrowing that money was one of the best decisions I have ever made because it introduced me to a world that changed my life – the world of the 1099 mentality.

A 1099 mentality:

Says, "I am responsible."

"I am responsible if I am successful and I am responsible if I am a failure." In every business endeavor there are people with the same opportunity who are successful and others who fail. The opportunity is the same for everyone, the difference is the individual.

When I entered the investment business, the manager of the office set me on a path of personal development with two cassette tape series, one by Brian Tracy and the other by Jim Rohn. In my first year I listened to more personal development tapes and read more books than most people do in a lifetime. A central theme of all those talking about success was this concept of responsibility.

I found the idea to be liberating. It meant that I was in control. If I wasn't responsible for my success and failure than I couldn't change my life. But since I was responsible I could become what ever I wanted. I went from high school teacher to millionaire based primarily on my understanding of this principle.

Says, "I am not entitled. I must earn everything."

Let's review the Declaration of Independence. Does it say, "We are endowed by our creator with certain inalienable rights and among these rights are life, liberty and the guarantee of happiness"? No. It says that among these rights are "life, liberty and the pursuit of happiness." We have the right to pursue happiness, we are not guaranteed to it. We are not entitled to it.

Says, "I always pay."

You've heard the old saying, "it takes money to make money". It doesn't always take a lot, but it does take some. Something for nothing is usually worth just that -- nothing.

When I was in the investment business I used to use an example to explain the concept of fees in investments. I would explain that some investments have the fees upfront and others it appears there are no fees. So I would tell this story:

A salesman went on a trip. A company memo had indicated that the weather would be clear and warm. When he arrived in the city it was cold and rainy so he bought a trench coat. When he returned to the office he turned in his expense form and it included the trench coat. He received a memo from the accounting department indicating that the trench coat was

not covered. When he returned from his next trip he again turned in his expense form and put a note on the form which said, "The trench coat is in there. You find it."

The moral of the story is we always pay. During college I worked as a janitor at a Fortune 100 company cleaning offices five nights a week. We were told that anything we found in the garbage cans we could take home. I never in the two years I worked there had to buy a legal pad or a pencil. It was amazing to me that secretaries and executives alike would throw away legal pads once they got down to five or six pages and pencils when they were still good. Do you know why this happens? It happens because they believe someone else is paying for it. But don't you think that that Fortune 100 Company looked at their expenses before they decided what to pay their employees? Those employees were paying for their waste in lower salaries.

If you're going to be successfully self-employed you must develop a 1099 mentality. You must understand that we are each responsible for our successes and failures. We are not entitled to success we must earn it. And finally, we always pay for what's important.

***Even more critical to our success
is helping our people develop a
1099 mentality.***

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