WHY ARE MONEY AND FOOD SO SIMILAR?	
When it comes to food, we . . .	**When it comes to personal finance, we . . .**
don't track calorie intake	don't track spending
eat more than we know	spend more than we realize—or admit
debate minutiae about calories, diets, and workouts	debate minutiae about interest rates and hot stocks
value anecdotal advice over research	listen to friends, our parents, and TV talking heads instead of reading a few good personal-finance books

HOW TO MAKE $60,000 MORE THAN YOUR FRIENDS (WITH LESS WORK)

	Smart Sally	Dumb Dan
When beginning to invest, the person is . . .	35 years old	45 years old
Each person invests $200/month for . . .	10 years	20 years
With an 8 percent rate of return, at age 65, their accounts are worth . . .	$181,469. Voilà—the value of starting early	$118,589. Even though he invested for twice as long, he's behind by $60,000

CREDIT SCORE VS. CREDIT REPORT

What your credit score is based on:	What your credit report includes:
35% payment history (How reliable you are. Late payments hurt you.)	■ Basic identification information
30% amounts owed (How much you owe and how much credit you have available, aka your credit utilization rate)	■ A list of all your credit accounts
15% length of history (How long you've had credit)	■ Your credit history,or whom you've paid, how consistently, and any late payments
10% new credit (Older accounts are better, because they show you're reliable.)	■ Amount of loans
10% types of credit (For example, credit cards, student loans. Varied is better.)	■ Credit inquiries, or who else has requested your credit info (other lenders)
Get your credit score at myfico.com for a small fee.	■ Get your free credit report once a year at annualcreditreport.com

HOW CREDIT SCORES AFFECT WHAT YOU PAY

On a $200,000 30-year mortgage, if your FICO score is . . .	. . . your APR* (interest rate) will be . . .	. . . with interest, you'll pay a total of . . .
760–850	4.279%	$355,420
700–759	4.501%	$364,856
680–699	4.678%	$372,468
660–679	4.892%	$381,773
640–659	5.322%	$400,804
620–639	5.868%	$425,585

*APR calculated in August 2018.

GUESS HOW MUCH AN IPHONE COSTS IF YOU FINANCE IT WITH A CREDIT CARD?

One of the biggest problems with credit cards is the hidden cost of using them. It may be incredibly convenient to swipe your card at every retailer, but if you don't pay your bill every month, you'll end up owing way more than you realize.

Let's say you buy this . . .	Paying minimum payments, it will take this long to pay it off . . .	You'll pay this much in interest
$1,000 iPhone	9 years, 2 months	$732.76
$1,500 computer	13 years, 3 months	$1,432.19
$10,000 furniture	32 years, 2 months	$13,332.06

Assumes 14% APR and 2% minimum payment

If you paid only the minimum monthly balance on your $10,000 purchase, it would take you more than 32 years and cost you more than $13,000 in interest alone, more than the purchase price itself. Remember, this doesn't even factor in your "opportunity cost": Instead of paying off a $10,000 sofa for over 30 years, if you'd invested the same amount and earned 8 percent, it would've turned into about $27,000! Try calculating how much your own purchases really cost at bankrate.com/brm/calc/minpayment.asp.

Always Track Your Calls to Financial Companies

Unfortunately for you, credit card companies are very good at using BS late fees to increase their revenues. Unfortunately for them, I'm giving you a script for getting these fees reversed (see page 42). One of the best ways to improve your chances of having fees waived is by keeping track of every call to your financial institutions, including credit card companies, banks, and investment companies. When I call to dispute anything, I open a spreadsheet that details the last time I called them, whom I spoke with, and what was resolved. If only criminals were as diligent as I am.

Create a spreadsheet that looks like this:

The Pocket Tracker for Tracking Credit Card Calls

Call Date	Time	Name of Rep	Rep's ID#	Comments

Whenever you make a call regarding a dispute on your bill, you wouldn't believe how powerful it is to refer back to the last time you called—citing the rep's name, the date of the conversation, and your call notes. Most credit card reps you talk to will simply give in because they know you came to play in the big leagues.

When you use this to confront a credit card company or bank with data from your last calls, you'll be more prepared than 99 percent of other people—and chances are, you'll get what you want.

Credit Card and Debt Scripts

Invisible script	What it means
"It's not so bad. Everyone has credit card debt. At least I don't have as much debt as Michelle."	Humans are wired to compare themselves to others. Interestingly, the worse situation we're in, the more we look for others to reassure us that we're not really ***that bad***. It doesn't change our situation, but we feel better about ourselves.
"I probably shouldn't buy this, but $100 is just a drop in the bucket compared to how much I owe. Oh well . . ."	Once the problem is sufficiently large, we rationalize any single change as "not enough" (when in reality, real change happens through small, consistent steps). There are lots of similarities here between the decision making of those in serious debt and those who are overweight.
"Paying interest is just like any other fee."	This is "normalization," or the idea that paying interest on your debt is actually not that bad. I've never met one person who says this and understands the math of 14 percent interest rates.
"These credit card companies just try to trap you."	This is the surrendering of responsibility for personal decisions. It's very common among people who are surrounded by friends and family who are also in debt. Yes, credit card companies do want you to pay lots of fees—but it's also your responsibility for making the decisions that got you into debt in the first place. Until you take responsibility, the credit card companies will be a convenient enemy.
"I don't even know how much I owe."	Notice the transition to a more hopeless script. In my estimation, over 75 percent of people in debt do not know how much they actually owe. The truth would be too painful, so they ignore it. But there is power in acknowledging the problem and making a plan.
"I'm just trying to do my best."	The most hopeless of all. This person is effectively saying, "I have no control over my finances" and "Life happens to me" rather than acknowledging their own agency. Once someone says this, it's very difficult for them to ever change.

DUMB DAN VS. SMART SALLY: PAYING OFF $5,000 CREDIT CARD DEBT AT 14% APR

Dumb Dan pays the minimum monthly payment.		
His monthly payment starts at . . .	Time it will take to pay off . . .	Total amount of interest paid is . . .
$100*	25+ years	$6,322.22
Smart Sally pays a fixed amount.		
Her monthly payment is . . .	Time it will take to pay off . . .	Total amount of interest paid is . . .
$100**	6 years, 4 months	$2,547.85
Super Smart Sally pays double the fixed amount.		
Her monthly payment is . . .	It will take this long to pay off . . .	Total amount of interest she pays is . . .
$200**	2 years, 6 months	$946.20

*This minimum is a variable amount that decreases as your balance goes down (e.g., when your balance is $4,000, your payment will be $80). Because your minimum payment will decrease, your payments will stretch out, which costs you more. Bottom line: Always pay more than the minimum on your credit card debt.

**This is a fixed amount. As your balance decreases, you continue to pay the fixed amount, which speeds your debt payoff, costing you less.

HOW MUCH DO YOU OWE?			
Name of credit card	Total amount of debt	APR	Minimum monthly payment

PRIORITIZING YOUR DEBT

	Snowball method: lowest balance first	Standard method: highest APR first
How it works	Pay the minimum on all cards, but pay more on the card with the lowest balance. Once you pay off the first card, repeat with the next-lowest balance.	Pay the minimum on all cards, but pay more on the card with the highest interest. Once you pay off the first card, repeat with the next-highest-APR card.
Why it works	This is all about psychology and small wins. Once you pay off the first card, you're more motivated to pay off the next one.	Mathematically, you want to pay off the credit card that's costing you the most first.

WHY HAVEN'T YOU SWITCHED BANKS YET?

Invisible money script	What it means
"It's a headache to switch banks."	Honestly, I get it. You've got your account set up and it works. Why not just stay? My analysis: You don't have to switch, but if you spend about one day doing it, you'll ensure that the foundation of your financial system is solid. The banks I recommend are more convenient, cheaper, and offer better rewards than Big Banks. As you grow your income, you'll know you're working with the best.
"I don't know where else I would go."	This is irrelevant. Just read the rest of this chapter and I'll tell you the best banks.
"This was my first bank ever."	I've only heard this once, but it was so ridiculous I had to include it. Do you have a lifelong love of your first thumbtack? What about your first garden hose? No? So why are we talking about how you cuddle up with your "first bank ever"? GTFO.

Banks to consider	Banks to avoid
Ally Bank: ally.com	Bank of America
CapitalOne360: capitalone.com	Wells Fargo
Schwab: schwab.com	
Marcus by Goldman Sachs: marcus.com	
American Express Personal Savings: americanexpress.com/personalsavings/home	

OLDER PEOPLE REGRET NOT INVESTING

They regret it but you don't have to. My thoughts below.

Age of employee	Median balance of their 401(k)	My comment
Under 25	$1,325	Too busy watching a cooking show of things they will never cook.
25–34	$8,192	These people have just started dabbling in saving money, but still don't see the value in it.
35–44	$23,491	These people have realized that perhaps saving money is important.
45–54	$43,467	These older folks are wishing they could go back in time and beat themselves for not saving more, like Biff in *Back to the Future Part II*.

Source: Vanguard report

INVISIBLE INVESTING SCRIPTS

Invisible script	What It Means
"There are so many stocks out there, so many ways to buy and sell stocks, and so many people giving different advice. It feels overwhelming."	This is code for "I want to hide behind complexity." Any new topic is overwhelming: diets or workout regimens, learning how to dress better, parenting. The answer isn't to avoid it—it's to pick a source of information and start learning.
"I feel like I'm always buying at the highs, and I don't want to be the person who buys into the market when it peaks."	This person intellectually "knows" that you can't time the market . . . but they don't really understand it. They should be automatically investing each month so this problem disappears.
"I haven't invested in anything because there are so many different options to put my money in over the long term (real estate, stocks, crypto, commodities, etc.). I know I should invest but stocks don't 'feel' controllable."	The great irony is that this person believes "control" will help their investment returns, when in reality, they'd actually get better returns by doing less. The less control they have, the better. Data clearly indicates that the average investor buys high, sells low, and trades frequently (which incurs taxes), and all of this cuts their returns by huge amounts. You think you want control but really, you don't. Just let go already.
"Due to my lack of knowledge/experience in it, I don't wish to lose my hard-earned money."	Ironically, every day you don't invest, you actually ***are*** losing money—due to inflation. You will never realize this until you're in your 70s, at which point it will be too late. (I'm fun at parties.)
"Fees are a big part of it. When you only have a small amount to invest, trading fees can make a big dent in your returns."	It is totally mystifying how people think "investing = trading stocks." Oh wait, no it isn't—every stupid commercial and app pushes this agenda. When you follow my advice, your investment fees are extremely low.
"Ordered a small coffee instead of a large, so I'm saving X dollars a day. Am I adulting?"	You will die alone.

A FIFTH OF YOUNG PEOPLE THINK THEY'LL GET RICH THROUGH THE LOTTERY

Percentage of young people	Who believe they'll get rich	My comment
21%	By winning the lottery	I hate you.
11%	Through an inheritance	I hate you.
3%	Via an insurance settlement	How about the insurance of doing some actual work to learn about your money?

INVEST NOW . . .
YOU'RE NOT GETTING ANY YOUNGER

What if you had started investing $10 per week five years ago? Guess how much you'd have. It turns out that by now, you'd have thousands of dollars—all from investing a little more than $1 per day. Think about that $10 a week—where did it go, anyway? If you're like most people, it probably slipped through your fingers on random things like Ubers and lunches. Despite wild rides in the stock market, the best thing you can do is think long-term and start investing early.

If you invest this much per week . . .	After 1 year, you'll have . . .	After 5 years, you'll have . . .	After 10 years, you'll have . . .
$10	$541	$3,173	$7,836
$20	$1,082	$6,347	$15,672
$50	$2,705	$15,867	$39,181

Assumes 8% returns.

HOW A 401(K) GROWS

Age	Balance without employer match	Balance with employer match
35	$5,400.00	$10,800.00
40	$31,679.65	$63,359.29
45	$78,227.44	$156,454.87
50	$146,621.42	$293,242.83
55	$247,114.61	$494,229.21
60	$394,772.08	$789,544.15
65	$611,729.34	$1,223,458.68

Assumes 8% returns

HOW MUCH WILL A ROTH IRA SAVE YOU?

Assumptions: 25 percent tax rate (now and at retirement), 8 percent annual rate of return, yearly contribution of $5,000 (that's $417/month). Notice how much taxes eat out of your returns.

	Roth IRA	Regular taxable investment account	Doing nothing
5 years	$31,680	$29,877	$0
10 years	$78,227	$69,858	$0
15 years	$146,621	$123,363	$0
20 years	$247,115	$194,964	$0
25 years	$394,772	$290,782	$0
30 years	$611,729	$419,008	$0

RECOMMENDED DISCOUNT BROKERAGES

Brokerage name	Minimum to open a Roth IRA	Things to know
Vanguard vanguard.com	$1,000	My personal recommendation is Vanguard. They're great because of their relentless focus on low-cost funds. They don't waive their minimums, even with automatic investing, but the savings are well worth it. If you want a Vanguard account but don't have $1,000 to start, set it as a savings goal (see page 146).
Schwab schwab.com	$1,000	Minimum is waived with $100 automatic monthly contribution. If you set up a high-interest Schwab checking account (see page 84), Schwab will automatically link a brokerage account to it. Handy for automatic investing.
Fidelity fidelity.com	$0	Fidelity launched a price war with a no-minimum account and $0 fee for certain mutual funds. This is great for consumers and a promising sign for where Fidelity is heading. However, their target date funds still have higher expenses than Vanguard.

CHEAP PEOPLE VS. CONSCIOUS SPENDERS

Cheap	Conscious
Cheap people care about the cost of something.	Conscious spenders care about the value of something.
Cheap people try to get the lowest price on everything.	Conscious spenders try to get the lowest price on most things but are willing to spend extravagantly on items they really care about.
Cheap people's cheapness affects those around them.	Conscious spenders' frugality affects only them.
Cheap people are inconsiderate. For example, when getting a meal with other people, if their food costs $7.95, they'll put in $8, knowing very well that tax and tip mean it's closer to $11.	Conscious spenders know they have to pick and choose where they spend their money. If they can spend only $10 on lunch, they'll order water instead of iced tea.
Cheap people make you uncomfortable because of the way they treat others.	Conscious spenders make you feel uncomfortable because you realize you could be doing better with your money.
Cheap people keep a running tally of how much their friends, family, and coworkers owe them.	Some conscious spenders do this too, but certainly not all.
Because of the fear of even one person suggesting they spent too much on something, cheap people are not always honest about what they spend.	Neither are conscious spenders. Everybody lies about their spending.
Cheap people are unreasonable and cannot understand why they can't get something for free. Sometimes this is an act, but sometimes it's not.	Conscious spenders will try as hard as cheap people to get a deal, but they understand that it's a dance, and in the end, they know they don't intrinsically *deserve* a special deal.
Cheap people think short-term.	Conscious spenders think long-term.

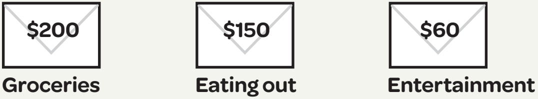
CATEGORIES OF SPENDING	
Fixed costs Rent, utilities, debt, etc.	50–60% of take-home pay
Investments 401(k), Roth IRA, etc.	10%
Savings goals Vacations, gifts, house down payment, emergency fund, etc.	5–10%
Guilt-free spending money Dining out, drinking, movies, clothes, shoes, etc.	20–35%

Monthly Expense	Monthly Cost
Rent/mortgage	
Utilities	
Medical insurance and bills	
Car payment	
Public transportation	
Debt payments	
Groceries	
Clothes	
Internet/cable	

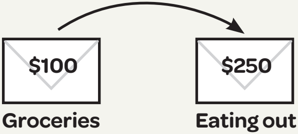
The Envelope System

1. Decide how much you want to spend in major categories each month. (Not sure? Start with one: Eating out.)

2. Put money in each envelope (category).



3. You can transfer from one envelope to another . . .



. . . but when the envelopes are empty, that's it for the month.

	Eating out	Taxis	Books
Times per month	12	8	5
Amount per event	$23	$9	$17

	Regular	Irregular
Known	• Rent • Loan payments • Utilities	• Christmas gifts • Vehicle registration
Unknown	• I guess if you're a gambling addict, you could classify your losses here.	• Wedding gifts • Medical expenses • Traffic tickets


Amount of Effort
Doing nothing
(except worrying)
Getting set up
Coasting happily
The Next Few Weeks

CATEGORIES OF SPENDING

Use these as guidelines for your spending and tweak as necessary.

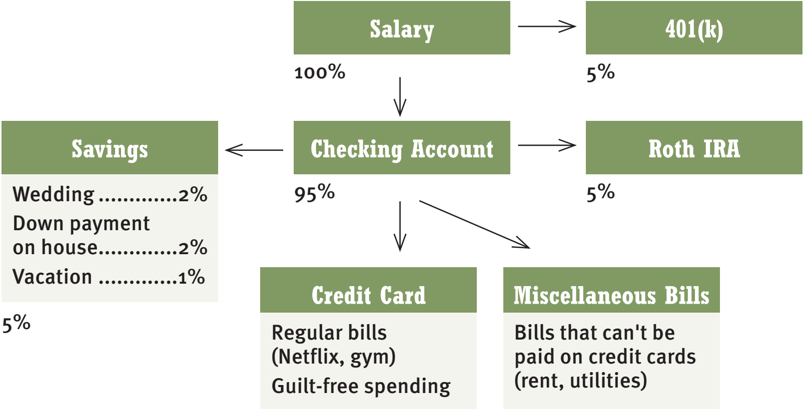
Fixed costs Rent, utilities, debt, etc.	50–60% of take-home pay
Investments 401(k), Roth IRA, etc.	10%
Savings goals Vacations, gifts, house down payment, cash for unexpected expenses, etc.	5–10%
Guilt-free spending money Dining out, drinking, movies, clothes, shoes, etc.	20–35%

COMMON INVISIBLE SCRIPTS ON AUTOMATION

When it comes to automation, it "sounds" really good—yet almost none of us do it. Here's why.

Invisible script	What it means
"It feels like I have more control when I know I can invest when the market is down."	I can understand being nervous about automating your finances. The good news is you're in control. You can always check on it and stop or change any setting you want. More important, be honest: Have you actually invested consistently every month? Does all your money go where it should? Do you automatically rebalance? If the answer is no, you've lost money. Let's fix that.
"I only have a little money to start with. It doesn't seem worth it."	Start now and build the habit. As your income increases, your habits will be aligned and your system will automatically grow with you.
"I manually invest based on my variable income. It's hard to automate when my income can vary widely."	Irregular income is handled in this automation system. See page 181.
"The honest answer is because I don't know how."	Thank god, finally someone answers with a real answer, not some concocted bullshit about how they want "control" of their investments. We're talking about investment returns, people! Nothing wrong with not knowing this stuff. Read on.
"The fees are lower when I do it myself. I have more control of where my money is going (or, at least, it feels like it). It's also a forced check-in on my goals and progress."	Sigh. Feelings. Sometimes your feelings are finely tuned instincts that you should listen to. But other times, your feelings are capricious and misguided and lead you astray—and you should really follow the evidence. This is one of those cases. Bottom line: Automating your finances will give you more time, more money, and higher investment returns.

AUTOMATING YOUR MONEY: HOW IT WORKS



Note: For simplicity, this diagram does not include taxes.

HOW TO CONNECT YOUR ACCOUNTS

This account . . .	. . . should fund this account
Paycheck	■ 401(k) ■ Checking account (direct deposit)
Checking account	■ Roth IRA ■ Savings account (which is subdivided into savings goals) ■ Credit card ■ Fixed costs that don't allow credit card payment (like rent) ■ Occasional-spending cash
Credit card	■ Fixed costs ■ Guilt-free spending

WHEN THE MONEY FLOWS

On this date . . .	. . . these actions happen
1st of the month	■ Your salary is direct-deposited into your checking account
2nd of the month	■ Part of your salary goes into your 401(k)
5th of the month	■ Automatic transfer from checking account to savings account ■ Automatic transfer from checking account to Roth IRA
7th of the month	■ Automatic payment of bills from checking account and credit card ■ Automatic transfer from checking account to pay off credit card bill

WHAT'S A BETTER DEAL?

Assuming an 8 percent return on an investment of $100/month	Passively managed index fund (0.14% expense ratio)	Actively managed mutual fund (1% expense ratio)	Investors pay how much more in fees with an actively managed fund?
After 5 years, you have . . .	$7,320.93	$7,159.29	$161.64
After 10 years, you have . . .	$18,152.41	$17,308.48	$843.93
After 25 years, you have . . .	$92,967.06	$81,007.17	$11,959.89

After 5 years, you have . . .	$80,606.95	$78,681.03	$1,925.92
After 10 years, you have . . .	$192,469.03	$183,133.11	$9,335.92
After 25 years, you have . . .	$965,117.31	$838,698.78	$126,418.53

INVISIBLE ADVISER SCRIPTS

Invisible script	What it means
"I don't know, I just want to pay someone to take it off my hands."	It's natural to be intimidated by all the jargon and confusing advice. But this is *your* money. Learning the fundamentals will be the most profitable decision you ever make. There's a famous quote from self-development legend Jim Rohn, who says, "Don't wish it was easier, wish you were better. Don't wish for less problems, wish for more skills." Don't wish for someone to hold your hand like you're a four-year-old skipping rope and chewing bubblegum. Wish to build discipline of long-term investing, like an adult. Others have done it and you can too.
"I like him. He's really trustworthy. Also, my dad used him."	I like my local bagel guy. Does that mean I should invest with him? Our tendency to conflate "likable" with "trustworthy" is amazing. One great study at the University of Chicago demonstrated this. The title of the study: "US doctors are judged more on bedside manner than effectiveness of care." Your adviser might be likable. He might be funny and thoughtful. But when it comes to your money, focus on results.
"I'm afraid of losing money."	Good. Then you should know that every dollar you're paying to an adviser via fees is a dollar you could have invested. For example, a 1 percent fee can reduce your returns by around 30 percent.
"My guy has beaten the market the last four years."	Maybe he has. More likely he hasn't, once you factor in all fees and taxes, which he'll naturally obscure. As research shows, just because someone is hot now doesn't mean they will be in the future.

THE PYRAMID OF INVESTING OPTIONS

TARGET DATE FUNDS

- More convenience
- Less control
- More predictable returns over the long term

INDEX FUNDS/MUTUAL FUNDS

- Somewhat convenient
- Can have low fees (index funds) or high fees (many mutual funds)
- More control than target date funds, less control than stocks/bonds
- Returns are fairly predictable over the long term

STOCKS / BONDS / CASH

- Individual stocks and bonds are very inconvenient to choose and maintain
- High control
- Individual stocks offer extremely unpredictable returns that often fail to beat the market (but sometimes trounce it)
- Bonds offer extremely predictable returns, but on average return less than stocks

90 YEARS OF AVERAGE ANNUAL RETURNS FOR STOCKS AND BONDS

NYU corporate finance professor Aswath Damodaran analyzed ninety years of investment returns. These numbers show us the returns of the S&P 500 over a very long period of time.

Stocks	Bonds	Cash
Higher risk	Lower risk	Ultra-low risk. Stored in an interest-generating money-market account, not under your mattress.
11.5%	5.2%	3.4%

You should note that the past is no predictor of future results. For the more technical, you should also note that those returns are an arithmetic mean (Compound Interest Growth Rate is 9.5%) and do not include inflation.

STOCKS AND BONDS HAVE MANY FLAVORS

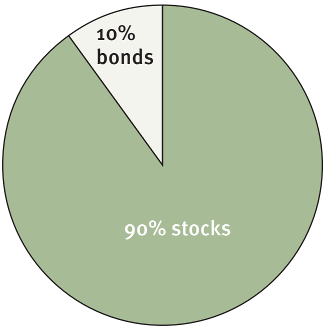
Stocks	Bonds
Large-Cap Big companies with a market capitalization ("market cap," which is defined as outstanding shares times the stock price) over $10 billion	**Government** An ultra-safe investment that's backed by the government. In exchange for their low risk, government bonds tend to return less than stocks.
Mid-Cap Midsized companies with a market cap between $1 billion and $5 billion	**Corporate** A bond issued by a corporation. These tend to be riskier than government bonds but safer than stocks.
Small-Cap Smaller companies with a market cap less than $1 billion	**Short-Term** Bonds with terms of usually less than three years
International investments Stocks from companies in other countries, including emerging markets (like China and India) and developed markets (like the United Kingdom and Germany). Americans may sometimes buy these directly, but may have to buy them through funds.	**Long-Term** These bonds tend to mature in ten or more years and, accordingly, offer higher yields than shorter-term bonds.
Growth Stocks whose value may grow higher than other stocks, or even the market as a whole	**Municipal** Also known as "munis," these are bonds issued by local governments
Value Stocks that seem bargain priced (i.e., cheaper than they should be)	**Inflation-Protected** Treasury inflation-protected securities, or TIPS, are ultra-safe investments that protect against inflation.

Note that because of their complicated structure, REITs, "real estate investment trusts"—which are types of investments that let you invest in real estate through a single ticker symbol, just like a stock—don't neatly fall into any of these categories.

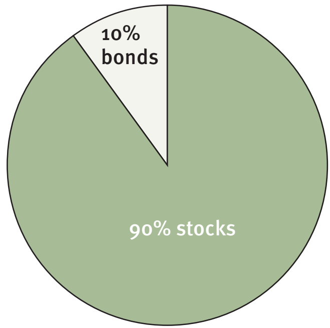
WHAT A GRANNY NEEDS: TYPICAL ASSET ALLOCATIONS BY AGE

Here's what typical investors' asset allocations—remember, that's the mix of different investments—might look like as they get older. These figures are taken from Vanguard's target date funds.

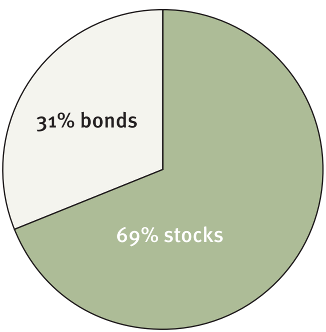
35 YEARS OLD



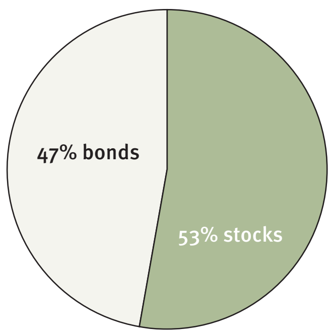
45 YEARS OLD



55 YEARS OLD



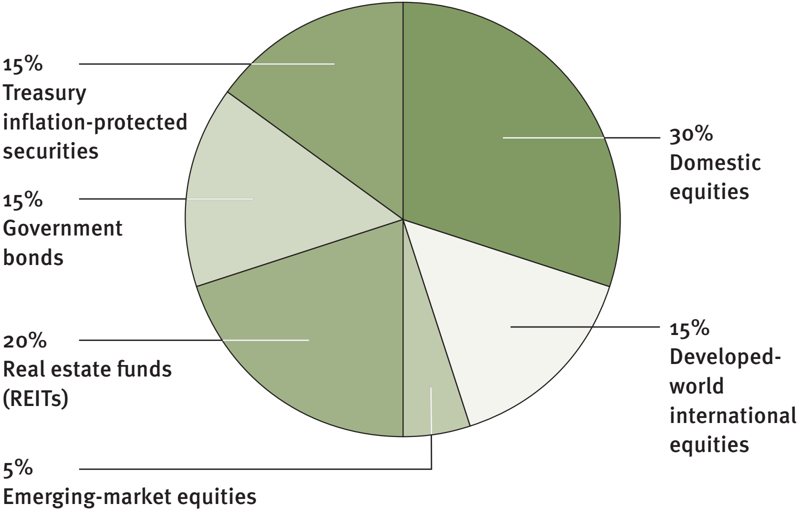
65 YEARS OLD



HIGH EXPENSE RATIOS COST MORE THAN YOU THINK

Amount in your portfolio	Annual expenses of a low-cost index fund (.14%)	Annual expenses of an actively managed mutual fund (1%)
$5,000	$7	$50
$25,000	$35	$250
$100,000	$140	$1,000
$500,000	$700	$5,000
$1,000,000	$1,400	$10,000

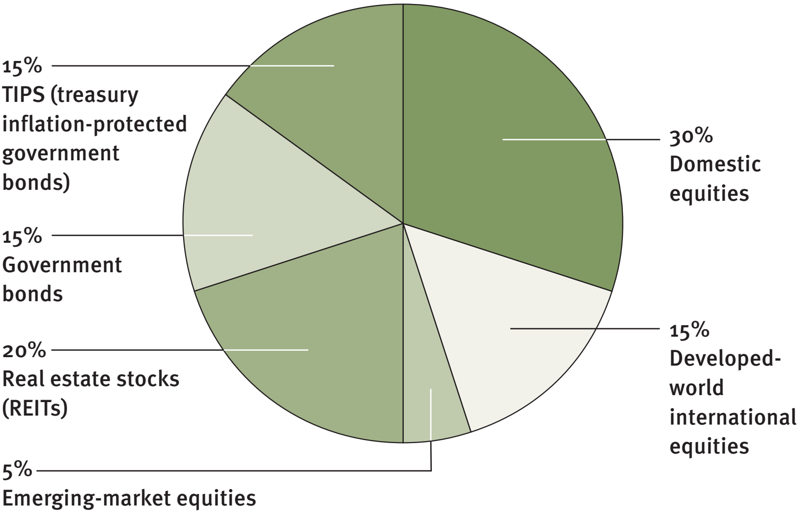
THE SWENSEN MODEL OF ASSET ALLOCATION



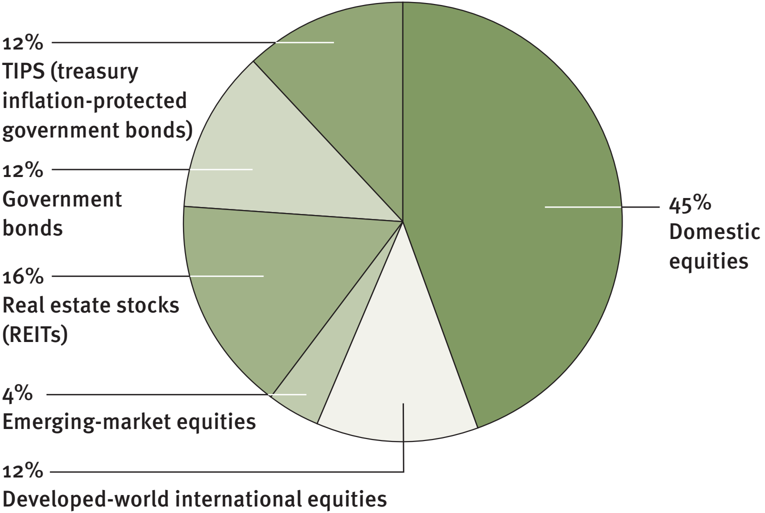
IF YOU INVEST . . .	$100/ month	$500/ month	$1,000/ month
After 5 years . . .	$7,347	$36,738	$73,476
After 10 years . . .	$18,294	$91,473	$182,946
After 25 years . . .	$95,102	$475,513	$951,026

Note: For simplicity, this calculation ignores taxes.

TARGET ASSET ALLOCATION



ALLOCATION AFTER DOMESTIC EQUITIES JUMP 50%



Rebalancing Your Portfolio

$10,000 PORTFOLIO AFTER GAIN OF 50% IN DOMESTIC EQUITIES

Value	$12,727	
	Allocation	**Value**
Domestic	45%	$5,727
International	12%	$1,500
Emerging Markets	4%	$500
REITs	16%	$2,000
Bonds	12%	$1,500
TIPS	12%	$1,500

New portfolio value

Because your domestic equities now represent 45 percent of your portfolio, rather than the targeted 30 percent, you have to take action. Pause your automatic contribution to domestic equities and reallocate that 30 percent by distributing it evenly to the other five asset classes (each would get an additional 6 percent). $1,000 monthly contributions will now be allocated as follows:

0%: Put this investment on pause and evenly distribute the 30% across the other asset classes (i.e., 6% for each).

21%: The target is 15%, so add 6% and you'll get 21%. Monthly contribution: $210

11%: The target here is 5%, so you again add 6%. Monthly contribution: $110

26%: Target is 20%. Monthly contribution: $260

21%: Target is 15%. Monthly contribution: $210

21%: Target is 15%. Monthly contribution: $210

	Month 2		Month 3		Month 4		Month 5		Month 6		Month 7		Month 8	
Value	$13,727		$14,727		$15,727		$16,727		$17,727		$18,727		$19,727	
	Allocation	Value	Allocation	Value	Allocation	Value	Allocation	Value	Allocation	Value	Allocation	Value	Allocation	Value
Domestic	42%	$5,727	39%	$5,727	36%	$5,727	34%	$5,727	32%	$5,727	31%	$5,727	29%	$5,727
International	12%	$1,710	13%	$1,920	14%	$2,130	14%	$2,340	14%	$2,550	15%	$2,760	15%	$2,970
Emerging Markets	4%	$610	5%	$720	5%	$830	6%	$940	6%	$1,050	6%	$1,160	6%	$1,270
REITs	16%	$2,260	17%	$2,520	18%	$2,780	18%	$3,040	19%	$3,300	19%	$3,560	19%	$3,820
Bonds	12%	$1,710	13%	$1,920	14%	$2,130	14%	$2,340	14%	$2,550	15%	$2,760	15%	$2,970
TIPS	12%	$1,710	13%	$1,920	14%	$2,130	14%	$2,340	14%	$2,550	15%	$2,760	15%	$2,970

Note: In some cases, the numbers in the above columns don't add up to 100% because of the variables of rounding.

The Annual Financial Checklist

It's important to maintain your automated financial system. Every year, I spend a few hours re-reviewing my system and making any changes necessary. For example, have I added subscriptions that I don't need anymore? Should I adjust my Conscious Spending Plan to account for new short-term goals? Set aside some time every year—I recommend December so you can start the next year off right—to go through each of the steps below.

EVALUATE YOUR CONSCIOUS SPENDING PLAN (THREE HOURS) Use these as general guidelines, but take them seriously: If your money is following these suggested percentages, that's a Big Win toward a Rich Life.

- ☐ Fixed costs (50–60%)
- ☐ Investments (10%)
- ☐ Savings (5–10%)
- ☐ Guilt-Free Spending (20–35%)
- ☐ Reassess current subscriptions (cut if necessary).
- ☐ Renegotiate cable and internet bills.
- ☐ Revisit spending goals: Are they accurate? Are you actively saving for them?
- ☐ If your fixed costs are too high, it may be time to look at a cheaper rent (or AirBnB'ing a room out, or earning more).
- ☐ If you aren't investing at least 10 percent, it's worth finding the money from somewhere else—usually guilt-free spending—and reallocating it to investments.

NEGOTIATE ANY FEES (TWO HOURS) Many companies will offer you introductory rates or lower your monthly fees if you ask. Use my word-for-word scripts at iwillteachyoutoberich.com/negotiate.

- ☐ Cell phone bill
- ☐ Car insurance
- ☐ Cable and internet
- ☐ Bank fees

INVESTMENTS (TWO HOURS)

- ☐ Confirm you're contributing the max to your 401(k), that your money is being invested (not just sent over and sitting there—for a cautionary tale, see page 244), and that it's being invested in the right fund(s).
- ☐ Confirm you're contributing the max to your Roth IRA, that your money is being invested (not just sent over and sitting there), and that it's being invested in the right fund(s).
- ☐ Be sure you're taking advantage of all the tax-advantaged accounts you can (Chapter 4)

DEBT (TWO HOURS)

- ☐ Revisit your debt payoff plan: Are you on track? Can you pay any of your debt off sooner?
- ☐ Check your credit report and credit score.
- ☐ Renegotiate your credit cards' APRs.

CREDIT CARDS (ONE HOUR)

- ☐ Make a plan to use your credit card points! (Some might expire, some might not—but you earned them. Now have fun with them!)
- ☐ Call to ask what other perks your credit card offers that you haven't taken advantage of.
- ☐ Confirm you're not paying any unnecessary fees. If you are, try to negotiate them down.

EARN MORE (ONGOING)

- ☐ Negotiate a raise (see page 155).
- ☐ Make money on the side (visit iwillteachyoutoberich.com for ideas, examples, and courses).

(We cover these at iwillteachyoutoberich.com.)

OTHER

- ☐ Review your insurance needs, including renters insurance and life insurance.
- ☐ If you have dependents, create a will.

	Number of kids		Wedding
	When?		Where to live
	Names of kids		Lifestyle—who works?

DIVIDING EXPENSES BASED ON INCOME

	You	Your partner
Monthly income	$5,000	$4,000
Rental payment	$1,680	$1,320
	(5,000/9,000 = 56%)	(4,000/9,000 = 44%)

HOW MUCH SHOULD YOU BE SAVING FOR YOUR FUTURE WEDDING?

BASED ON THE AVERAGES IF YOU'RE A WOMAN:

Your age	Months until wedding	Monthly amount needed to save
22	60	$583.33
23	48	$729.17
24	36	$972.22
25	24	$1,458.33
26	12	$2,916.67
27	1	$35,000

BASED ON THE AVERAGES IF YOU'RE A MAN:

Your age	Months until wedding	Monthly amount needed to save
22	84	$416.67
23	72	$486.11
24	60	$583.33
25	48	$729.17
26	36	$972.22
27	24	$1,458.33
28	12	$2,916.67
29	1	$35,000

This can be intimidating, but I think of it differently. This is an eye-opener. Remember that these numbers are averages. You may decide to get married earlier, later, or not at all. I got married at 36! The key point here is that when you plan ahead, time is on your side.

SAMPLE WEDDING COSTS

Variable costs	150 guests	75 guests
Open bar/person	$20	$20
Lunch/person	$30	$30
Reception/person	$120	$120
Subtotal	$25,500	$12,750
Fixed costs		
DJ	$1,000	$1,000
Photographer	$4,000	$4,000
Rentals: tables, chairs, linens	$1,500	$1,250
Flowers	$750	$600
Hotel for guests	$750	$750
Invitations	$1,000	$750
Rehearsal dinner	$1,500	$1,500
Honeymoon	$5,000	$5,000
Dress	$800	$800
Limo	$750	$750
Rings	$5,000	$5,000
Bridesmaids' gifts	$4,000	$4,000
Misc.	$2,000	$2,000
Subtotal	$28,050	$27,400
Grand total	**$53,550**	**$40,150**

THE COST OF BUYING A HOME OVER 30 YEARS

Purchase price (typical single-family home)	$220,000
Down payment (10%)	$22,000
Closing costs	$11,000
Private mortgage insurance (76 payments of 0.5% PMI at $82.50)	$6,270
Interest @ 4.5%	$ 163,165.29
Taxes & insurance ($3,400/year)	$102,000
Maintenance ($2,200/year)	$66,000
Major repairs & improvements	$200,000
Total costs	$778,408.73

Note: Mortgage rates change over time. Calculate your own numbers at mortgagecalculator.org.

THE EFFECT OF CREDIT SCORES ON A MORTGAGE PAYMENT

FICO score	APR*	Monthly payment	Total interest paid
760–850	4.18%	$1,073	$166,378
700–759	4.402%	$1,102	$176,696
680–699	4.579%	$1,125	$185,021
660–679	4.793%	$1,153	$195,200
640–659	5.223%	$1,211	$216,022
620–639	5.769%	$1,287	$243,146

These numbers change over time. For the latest figures, search for "my FICO loan savings calculator."