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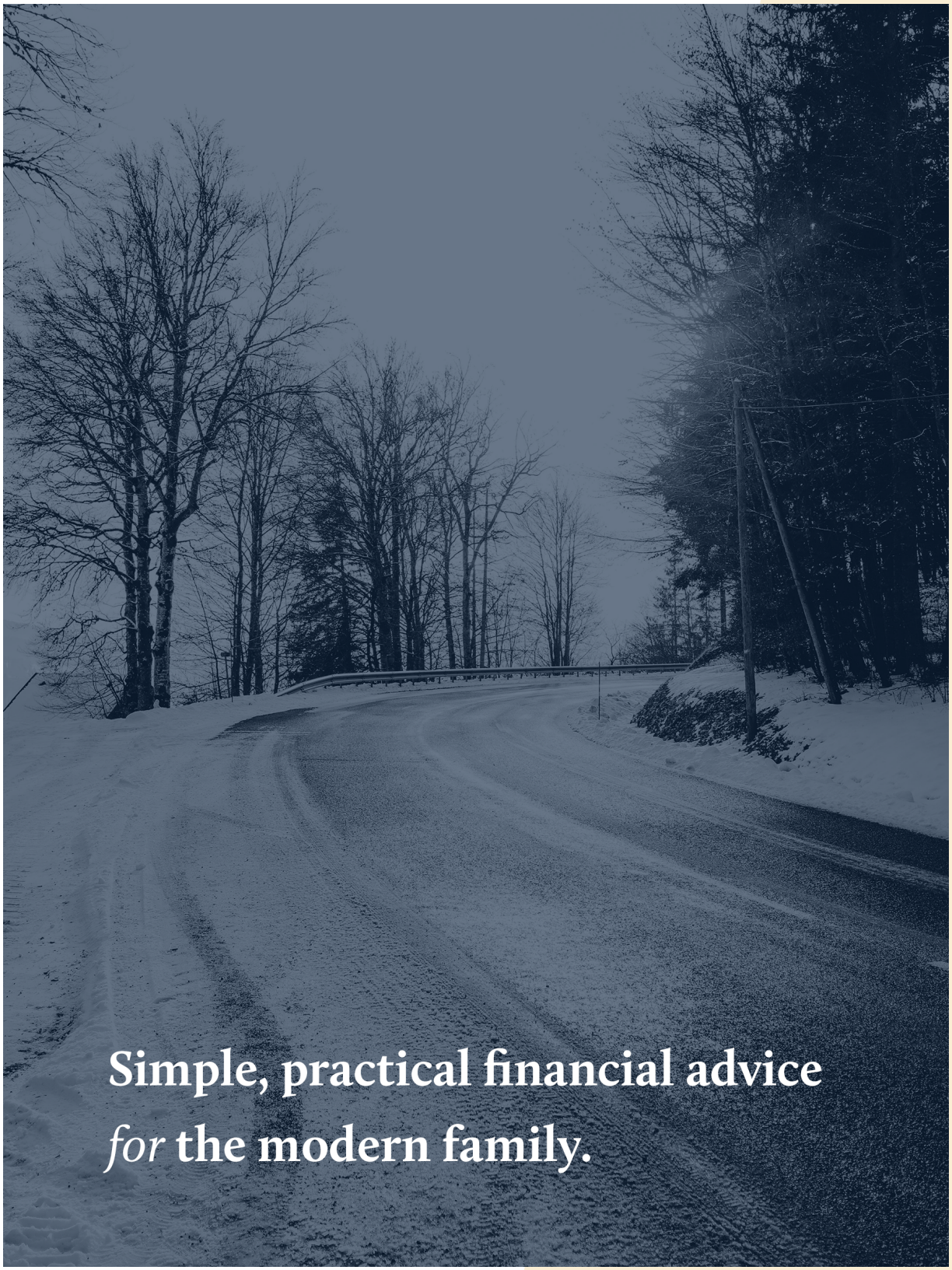
SIMPLEMoney



Simple, practical financial advice *for* the modern family.

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—The Founders

The decisions we make today will define the stories that get told about us.

By this, we mean, we are all writing a story with our lives and it is going to be retold. It can't not be.

We are going to talk about the life we decided to live. Our kids are going to talk about it. Our grandkids are going to talk about it. Our friends are going to talk about it. And the people whose lives we touch are going to remember us. This is called *legacy*.

Our legacy may be positive, negative, or a combination of both. But there are no neutral lives being lived and no neutral interactions taking place. People will talk about the positive impact we left or they will talk about the harm we inflicted.

Since the story of our life is going to be told, let's make it a good one, filled with intentionality and purpose and the pursuit of things that matter.

Simple Money Magazine is designed to help you handle your money more effectively and more intentionally. Our desire is that you (and we) will live a story worth sharing. That the way we handle our money and our lives will serve as an example to our kids, our grandkids, and those we interact with on a daily basis.

In this issue of *Simple Money Magazine*, you will find contributions from best-selling authors, financial advisors, financial experts, credit experts, teachers, writers, and stay-at-home moms. You will be encouraged to think about money differently, pay down debt, appreciate the life you have, and be inspired to make changes in your life.

In the end, our hope is the same as yours—that the stories shared about us will be ones we can be proud of.

— Joshua Becker and Brian Gardner

When Money Isn't Real: The $10,000 Experiment

—Adam Carroll

What could you learn about handling money if you played Monopoly with actual cash?

One Sunday morning, my children came down to the kitchen and found $10,000 in cold, hard cash on the counter, with a sign next to it that said, "Don't touch the money yet." While they didn't know it, they were about to become unwitting participants in a behavioral economics experiment.

Now, to set the stage for my experiment, you must first know that we are a game-playing family. We love to play ball games, dice games, card games, and board games. But the game my children love to play most is Monopoly. And when we play Monopoly as a family, the games are marathon length. Literally, hours upon hours of play, often spanning two or three days.

Each of the kids has a "personality" when we play, so it's expected that my daughter will be the dog and won't buy many properties but instead will play by the "hope strategy" of getting lots of Chance and Community Chest cards. My middle son will be the car and will no doubt buy the railroads and the utilities and attempt to purchase Boardwalk and Park Place at some point in the game. My youngest son will buy *everything* he lands on, with no exception, which is fitting because he is the wheelbarrow.

One marathon Monopoly morning a few weeks prior, I noticed my kids were doing things like buying each other out of jail and lending each other money to buy properties instead of borrowing from the bank. While I appreciated the generosity, I also strongly questioned whether this was part of the rules. (And realized why our games take forever to finish!)

But then I started to wonder if they were playing this way *because the money wasn't real.*

After years of playing the board game, our Monopoly money is well-handled, often torn, crumpled-up slips of paper. The transfer of the "money" doesn't feel like a meaningful thing, so the rules around how the game is played start to get twisted.

This idea is known as *financial abstraction.*

Financial Abstraction

When money becomes more abstract and less tangible, it changes the way we interact with it. Think about how difficult it is for most people to break a $50 or a $100 bill and how readily we spend $47 or $97 online without thinking twice. Disney World provides its guests with Magic Bands for the same reason casinos went to using reloadable cards for gambling—the users have no tangible concept of how much they're spending, because it's abstract. Dun

& Bradstreet did a study some years ago that found people using credit cards at McDonalds spent 17% more on average than those using cash. [1] Again, abstraction.

As I sat and listened to my kids' banter, watched how they were playing, and got a feel for their decision making, I started wondering would they play differently *if the money was real.*

Glancing over the rules, I found that each player would need $1,500 in starter capital and figured the bank would need at least $2,500 at the beginning. Five players plus the bank's starting balance meant I needed $10,000 in various denominations of bills to play a high-stakes game of Monopoly at home.

So on Friday afternoon I stopped by my credit union and asked for a very specific list of denominations of bills totaling $9,990. (Any amount $10,000 or over requires a copious amount of paperwork filled out by the financial institution and the person requesting it.) The tellers were most interested in what I was doing with the money, so I told them I was headed to the casino to put it all on black and I'd be back in 30 minutes!

The High-Stakes Game

Before everyone else got up on Sunday morning, I set up the Monopoly board, laid out the $10,000, and put up a sign that said, "Don't touch the money yet," then ran for doughnuts.

Upon my return, we played a high-stakes cash game of Monopoly. (And you have never seen kids' eyes light up like those of my kids did when I handed them each *fifteen hundred* dollars in starter capital.) Their obvious first question was, "Do we get to keep it?"

My wife and I answered in unison: "Absolutely not."

Throughout our high-stakes cash game, I noticed a few things:

1. The excitement of handling large amounts of cash normalized in the first 10 to 20 minutes of play. While they were fanning themselves with the money at the beginning and wanting to "make it rain" on each other, by the second lap around the board, they were neatly organizing their piles of hundreds, fifties, twenties, tens, fives and ones. Not to mention transacting real estate deals and passing hundreds back and forth in businesslike fashion.

2. My youngest son, who normally buys everything he lands on, was counting his money on a regular basis, figuring out if he

could afford to buy properties, put houses on them, and still stay in the game if he had to pay rent as he went around the board. In effect, playing with real cash was making him more conservative.

3. My middle son, the strategic one who normally buys all of the railroads and utilities, then ends with buying Boardwalk and Park Place, still bought all of the railroads and utilities, but opted for buying Oriental and Baltic Avenue instead. He put houses and hotels on these two "affordable properties" and ended up bankrupting everyone around the board with those two spots.

4. My daughter sought to keep as much cash in front of her as possible. Even when faced with dwindling amounts, her desire to invest in properties was not as high as avoiding the risk. She told me she "just likes holding onto money," which fits her saver tendencies.

5. Our dialogue covered everything from being cash poor, to how mortgages work, to where the $10,000 came from in the first place, to why we don't put money in our mouth, as well as to how much they'd like to have in savings by a certain age. All because we were using real currency and not abstract slips of paper.

Our game lasted two and a half hours, much shorter than the marathon games we'd grown accustomed to playing. And instead of the game just sort of fizzling out, which had become the norm, everyone stuck around until the end to see who would claim victory.

In the end, our son won the game by bankrupting everyone else around the table with his strategic hotel placements. He finished with 37 properties owned and over $6,300 in cash—and was finally allowed to make it rain on his siblings.

Candidly, though, the magic of the experiment happened during the debrief with my wife after the game.

The Magic of the Debrief

When talking through what we noticed, it became apparent to my wife and me that we needed to allow our kids to experience making financial decisions on their own. Up to that point, we had been the parents who said yes or no to our kids based on the whim of the moment, how they'd been acting, or whether or not we'd already spent a fortune at Target and that one item would put us over the top.

We discussed the fact that having a certain amount of money each week to make decisions with was an important part of learning

how to function within constraints. We operated within a budget that was based on our income and goals; why shouldn't they have to do the same?

It occurred to us that kids who are given a great deal rarely get to experience what it's like to run out of money or how to budget effectively. So we decided to be open about how much things cost and how much we had budgeted for those things. And most importantly, we made a pact with each other that teaching our kids how to make sound money decisions was something we were going to focus on.

We decided to teach our kids to value experiences over things, to use logic more than emotion when purchasing items, that saving and investing would pay massive benefits over impulse shopping, and that charitable giving is one of the greatest gifts to humankind.

The Allowance Parameters

The next week, we implemented an allowance program that has literally changed the fabric and the future of our family. The kids receive one dollar per year of age per week, so my 15 year old gets $15 per week, the 11 year old gets $11, and so on. The allowance is based on their doing a list of chores that rotate on a weekly basis. If the chores aren't done, the allowance isn't given.

We created a few "rules" around the allowance that are meant to foster solid financial habits in our kids. Their allowance is divided, with 10% going to giving, 10% to saving, 10% to investing, and 70% for them to do with as they please.

By the age of 5, they had to have $300 in an emergency fund. At 7, it was $400. And by 9, they were required to have $500. Hearing this, people will usually ask me, "What on earth kind of emergency would a 9 year old have?" Well, a *CNN Money* poll taken in 2017 found that 63% of the American population couldn't come up with $500 cash in an emergency. [2] Our logic is that if they have it at 9, they'll have it at 19 and 29 and 39 and 49. It's more about establishing the habit than preparing for an emergency.

Our kids invest through Stockpile.com, where the transaction costs are .99 a transaction. They're buying the companies that most interest them as well as putting money in index funds, and it allows us to have conversations around stock market performance and how companies and investors make money. I have started a "Family 401(k)" plan where I'll match their investment dollars up to $25 a month (which my middle son takes advantage of *every* month). My goal is for them to have an MBA (Massive Bank Account) before they ever start college!

Lastly, the parameters we've set around allowance have much to do with spending, particularly identifying what are *their* expenses

and what are *ours* as parents. We believe it's the obligation and duty of us as parents to provide certain things for our kids: meals to eat, a reasonable amount of clothing, a safe place to sleep, cell phone service (they buy the phone and not until sixth grade), medical and dental needs, and toiletries. Pretty much everything else is now on them.

They're now accustomed to paying for snacks if we're out shopping. And if you've ever forced your kids to share with each other a pretzel you bought for them, you'll appreciate the peace that comes from saying, "Well, he bought that with his money and it's up to him if he wants to share."

The language they use is no longer "I want this" or "Can I have that?" Instead they talk about saving for a larger purchase and asking about other ways to make money. They're insightful, often frugal, and they know what they can and can't afford.

What started as a simple board game with a twist has become a way of raising kids to be more savvy at making monetary decisions. I encourage parents everywhere to allow your kids to make decisions with money and coach them into being intelligent consumers. Let them fail with the small amounts, and they are less apt to make five-figure disasters later on.

And while we'd no doubt welcome our kids back to the nest at some point in their lives, it gives us a great feeling of accomplishment that we may never have to.

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Adam Carroll's TEDx London Business School talk surpassed 3 million views on YouTube. He is the co-creator of the *Broke, Busted & Disgusted* documentary and author of *Winning the Money Game and The Money Savvy Student*. He is the founder and curator of Mastery of Money.

Here's Your Permission Slip to Become a Millionaire

—Chris Hogan

What if you can be a millionaire? And what if you should be?

Can I be honest? I'm tired of hearing people make millionaires out to be big, bad wolves. That all wealthy people are evil, greedy, self-centered people who inherited or stole money to get rich. It's as if there were something *wrong* with being wealthy.

Listen, people: money is neutral—what matters is how you get it and how you spend it. And most of the wealthy people I know didn't swindle anybody. They worked hard. They saved. They sacrificed. And now they get to enjoy the results of that patience and perseverance.

And you can too. *Anybody* can. Everybody *should*. Let's talk about why.

Why It's Okay to Become a Millionaire

I get it—not everybody wants to travel the world. Their lifestyle and wants are simple and uncomplicated. But for *a lot* of Americans, becoming wealthy isn't just a lofty dream—it's a *necessity*.

Here are four reasons why it's okay—and *important*—to become a millionaire:

1. The duration of retirement is getting longer.

Back in 1960, people retired around age 65 [1] and had a life expectancy of 80, [2] so they only had to fund their retirement for about 15 years. But now, according to a recent Gallup poll, current *retirees* said goodbye to the workforce at age 61 and current *workers* expect to retire at age 66. [3] But people are living longer now. The current life expectancy for Americans is 84 years for men and 86 years for women, and one in four people will live past age 90! [4] That means you could need enough money to live on for *at least* 20 to 25 years.

2. Health care is getting more expensive.

According to a recent Fidelity study, a 65-year-old couple retiring in 2018 would need $280,000 to cover their medical expenses during their retirement years. [5] Now, that amount *doesn't include long-term care*, such as living in a nursing home or receiving home health care. That could cost an additional $138,000 per person! [6]

Now, I know you're thinking that you're healthy and you won't have extensive medical needs. Sorry, but the government has estimated that someone who's 65 years old today has almost a 70% chance of needing long-term care at some point. [7]

Let me be crystal clear: Health care in retirement is expensive. That's another reason you may need to hit the million-dollar mark.

3. You can't count on Social Security.

I can't count how many times I've heard people say they'll just live on Social Security when the time comes. People, that's a very. bad. idea. In 2018, the maximum monthly benefit a person could receive at full retirement age was $2,788, [8] but the average payment in August 2018 was just $1,415, [9] which comes to just under $17,000 annually. That's about $5,000 above the poverty line of $12,140. [10]

If that's not reason enough to kick your wealth building into high gear, listen to this: You may not get the full amount you expect by the time you retire. Even as we speak, Social Security payouts are higher than its income. [11] If things don't change, its reserves will go dry in 2034. [12] To make sure it doesn't, lawmakers want to decrease the amount people get in monthly payments. Nothing has been settled yet, but it's on the back burner.

4. You want to leave a lasting legacy.

This final reason to build wealth isn't about facts and figures. It's about your family. Most people I talk to want to leave a strong financial legacy for the people they love the most. Nobody wants to see their kids or grandkids struggle. And can I be honest? Knowing that your family will be taken care of long after you're

gone gives you peace of mind. Having that safety net in place lets you sleep easier at night.

Even if you don't have family, you may want to leave a legacy by giving to others generously. We all want to make a difference in the world. There's nothing like a that single dad with money to buy his kids' Christmas gifts. Or leaving a $100 tip for an overworked server. Or paying for someone to go on a mission trip. Giving away your money is the most fun you can have with it!

Sure, you might not have to break the million-dollar mark in your piggy bank. But given these reasons for building wealth, why would you try to gut it out with less? Especially since becoming a millionaire is possible. Very possible. Even for people like you and me. Let me show you how.

How to Become a Millionaire

Listen to this: nearly 10 million people in the United States reported a net worth of between $1 million and $5 million in 2017. [13] And that doesn't even include the value of their home! Do you know what this tells me? That becoming a millionaire is possible for anyone. I talk about this in my new book, *Everyday Millionaires.* It's not just for trust-fund babies or lucky lotto winners.

So, how do everyday people like us make it happen? The formula is simple—but following it takes patience and perseverance. Here it is:

monthly contributions + mutual funds × time + compound interest = wealth

That's it. See? I told you the process is simple. But I've met a lot of people who don't use all the pieces of this formula, so they don't maximize their wealth-building potential. Let's look at each of them.

Monthly contributions

Making regular deposits into your investment accounts is a key component in building wealth. You can't become a millionaire by putting away money when you feel like it or when you have money left over at the end of the month. It has to take priority.

You need to invest 15% of your gross income every month without exception. Since you've already got an emergency fund in place and you've paid off your debt (except the house), hitting that mark is absolutely doable. You may have to sacrifice some things—like that fancy vacation or designer wardrobe—but you *can* invest that much. I've talked to enough teachers, custodians, and blue-collar workers to know it's possible.

So, how can you make sure you're putting away money *every. single. month?* Automatic withdrawals. Whether you're investing through work or through a brokerage firm, you can arrange to have a portion of your paycheck (either a fixed amount or a percentage) go into your investment account. That way, you aren't tempted to use that money for living room furniture or the newest tech toy.

Mutual funds

You may get tired of hearing this, because it's not flashy or trending, but the best way to grow your money is to invest it in mutual funds. Yep. No get-rich-quick schemes. No pyramid marketing ploys peddling skin care or kitchen items. Just simple mutual funds.

Spread your investments across four groups of funds: growth, growth and income, aggressive, and international. This mix of funds will balance out your portfolio and protect it against the ups and downs of the market.

At least once a year, sit down with your investing pro to look at the funds you're in to make sure they're still balanced. One sector of funds may go wild (such as technology) while another struggles (such as textiles), so you may have too much (or too little) money in one fund.

Time + compound interest

Building wealth doesn't happen overnight. Money needs two essential sidekicks to grow: time and compound interest—and they're inseparable. Here's an example to illustrate.

Cathy starts investing $500 a month at age 25. She continues to do this for 30 years until age 55. In that time, she puts away $6,000 a year, or $180,000. She invests in a balance of mutual funds through her workplace 401(k) and earns a 10% to 12% return each year. At the end of 25 years, she might amass $1.085 million. If she invested 35 years, or until age 60, she tops $1.7 million, assuming a 10% rate of return. That's consistent investing in mutual funds plus the power of time and compound interest.

Cathy's next-door neighbor, Carl, got serious about his investing at age 40. He has realized the importance of building wealth and wants to reach the million-dollar mark. If he wants to invest $500 a month, he will need to delay retirement until age 70 to hit $1.05 million. Or, to reach $1 million at the same time as Cathy (age 55), he will need to invest $2,500 a month! Carl has to play catch-up because he has a smaller time window for the compound interest to grow.

It's Time

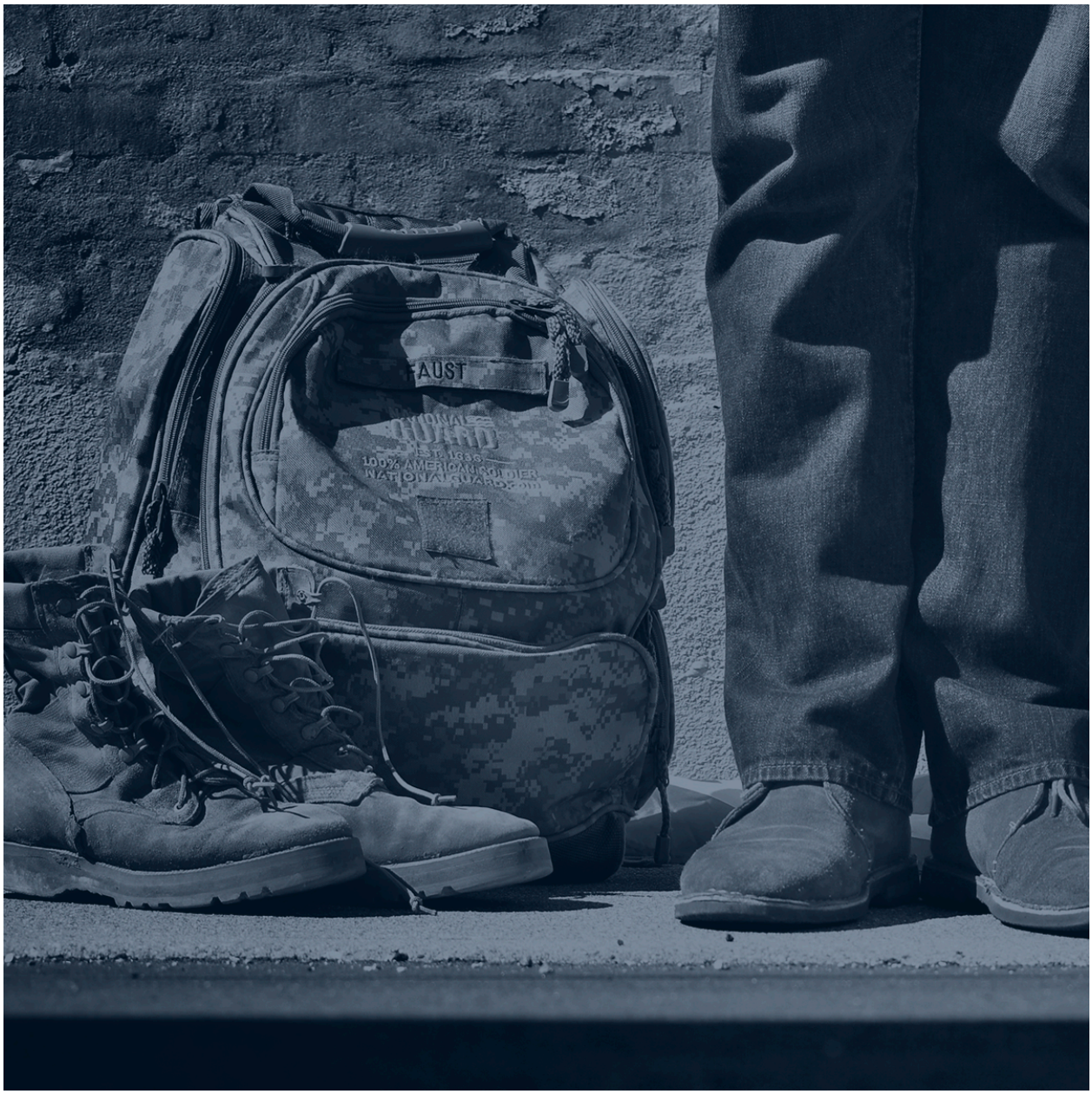
It's time for a change. It's time for a new way of thinking. It's time for ordinary people like you and me to reclaim the possibility—and ability—of becoming millionaires. But it only happens when you decide to take control of your finances and turn the tide in your favor.

. . .

Chris Hogan is a bestselling author, speaker, and financial expert. For more than a decade, Hogan has served at Ramsey Solutions, challenging and equipping people to take control of their money and reach their financial goals. He is the author of *Retire Inspired and Everyday Millionaires.*

Into the Unknown

—Jillian Johnsrud



This mom found that maintaining financial and scheduling independence rewards her with the chance to pursue her passions, especially the ones that stretch and challenge her the most.

When I was 17, I ended up being part of the Army National Guard for a year, despite the fact I hadn't attended Basic Training. I was supposed to go to Basic the summer after my junior year in high school, but the day I was to board the plane, more paperwork was needed. So for a year I went to drill each month with the real soldiers in the Guard. I was never issued a uniform, so I wore my father's. I was a 17-year-old girl playing soldier in her dad's clothes.

One weekend they asked for a volunteer to teach the next month's class on cleaning and maintenance of an M16. I raised my hand. And they said yes.

So for a month I pored over the field guide. I studied and prepared to teach a room full of combat veterans about a weapon they had taken into war. A weapon I had never fired or even held. The situation was pure comedy.

Yet the military is different than most organizations. They want everyone to bring their best to the table. To push outside of comfort limits and grow. Because one day we might stand side by

side in a combat zone, and they might need us to do things we're not 100% sure we're capable of or qualified for.

In most organizations, someone would have been quick to point out how unqualified, inexperienced, and foolish I looked while teaching others about equipment I had never used. At the National Guard, not a single person did. That day, all those soldiers patted me on the back and told me I did a great job. I walked out of that room feeling 10 feet tall.

Something else fateful came out of my experience with the National Guard.

One of the soldiers and his wife were foster parents to teenagers. Their example sparked something in me—the idea that one person could give the gift of family to a kid. A new passion was born in me.

A few years later, on my first date with my future husband, I asked what he thought of adopting. (I was never one to waste time.)

He said he loved the idea.

Then, with a bit more hesitation, I asked, "What do you think about adopting from foster care?"

He went on to tell me about how his parents had become foster parents after his siblings were grown. He thought it was amazing.

That was enough for me to say yes to a second date!

Three years later, when I was 22, we welcomed our first child into our home—a 12-year-old boy. Just as with teaching combat veterans about M16 maintenance, I was inexperienced and unqualified and looked ridiculous. Raising a teenage boy with Type 1 diabetes who had educational and emotional challenges pushed me outside of my comfort limits every single day.

It was so worth it. And it was just the beginning of the adventures Adam and I have had together.

As I kid, I never could have known that I would be able to experience as much as I have.

The Money Path Out

As I was growing up, my family life was chaotic and tense. In fact, when I was 12, I begged my mom to move out with me and my younger siblings. Home life was hard and I really thought we could do better on our own.

She looked at me as a woman of deep sensibilities and said, “Jillian, I simply can’t raise three kids on my own. It’s not an option.”

I ran up to my bedroom and cried hot tears into my pillow.

I wanted freedom. Freedom from the kind of life I was living. And if moving wasn’t an option, I soon realized that money could give me options.

So I started saving it $5 at a time. I took after-school jobs. And I squirreled the cash away.

On the surface, nothing seemed to change. But I had an escape plan. I was building a rocket in the basement.

I moved out when I was 17. Then, when I finished high school, I took the $8,000 I had saved up and moved out of state. I bought a 70s camper and started my new life.

My goal was never to become rich. It was to have freedom. The freedom to take risks, chase down dreams, and try things without the fear of not having enough food on the table.

When Adam and I were married, we had dreams, passions, and goals we wanted to pursue together. Some of them seemed impossible. We wanted to adopt, creating a family for kids who might never find one otherwise. We also wanted to travel. Financial independence would make the “impossible” possible.

But money is little good if you don’t know how to use it strategically. We found that to live our best lives, we had to learn what to make a priority. And what not to.

The Quit List

George Bernard Shaw wrote, “The reasonable man adapts himself to the world: the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man.” We realized that, if we were going to make progress on the things that mattered to us, we would need to be a bit unreasonable. We were going to have to do some things differently with our money if we wanted a shot at our unreasonable goals.

So we wrote what we called our Quit List. We looked at all our spending, budget, schedule, hobby, relationship, and ownership decisions. Then we asked ourselves what we could...

- stop,
- pause, or
- say “Not now” to.

The list we came up with proved so successful that now we do one every year. It is a process of trading the good for the great.

I think of it like a game of poker. There are some things we really want: our interests, passions, dreams, and goals. And we want to give those things the best possible chance of happening. So, what can we stop, pause, or say “Not now” to in order to push more chips into the middle of the poker table for the bets that we think are most worth placing?

People are often surprised by how much my husband I have accomplished. Here’s a clue: our progress is in direct correlation to the number of things we have put on our Quit List. Year after year, we pick a few things that are most important and go all in on those. Everything else goes in one of the three categories of the Quit List.

Stopping

When we opened our minds and were honest, we could see that there were some things in our budget, schedule, and home that weren't serving us well. They simply had to go.

For example, after we adopted a sibling group of three, we got rid of over 50% of our possessions. I needed to get back the time and energy I was losing to those possessions in order to be able to invest my resources in our newly expanded family.

We've made similar judgments for all kinds of activities, commitments, expenses, and pastimes.

Pausing

There were other things that we didn't eliminate entirely. We just put them off temporarily. I knew we wanted them in our life again at some point, but not this year. This year would serve a different purpose.

These weren't bad things. In fact, they were things we loved and did add a lot of value for us. For instance, we gave away our ducks and sold our hot tub. One day those will come back. But for the time being, our kids needed travel and adventure more.

There are dreams we pursued sooner rather than later because they were time sensitive. Those dreams had expiration dates. Other things could wait before we circled back to them.

Saying "Not now"

Then there are things we've been wanting to get to but realize we need to put off still longer, because something more urgent is taking priority.

I've dreamed of self-building a custom home since I was 11. We have said "Not right now" for the last 16 years so we could have the time and resources to do those things that mattered to us: adopt, travel, create financial freedom. The things we have said "Not now" to might still happen.

We focused our money, time, and energy on what we wanted to see happen in each season of life. We couldn't do or have everything at once. By 32, I had traveled to 27 countries, lived abroad, bought our modest home with cash, and achieved financial independence. We have been able to adopt four kids plus have two biological kids. We said "Not now" to a long list of things in order to make these things happen.

The three resources that seem to be in short supply for everyone are time, money, and energy. The best tool to free up those three resources is a Quit List.

It's Your Choice

At each point in my life, I have pushed myself into the unknown and the uncomfortable to try to chase down the things I was passionate about. And even though it has often been uncomfortable to step off the expected path, it's been so worth it.

I was reminded of this years ago, when Adam was in his early 20s and was a private in the Army. He came home one day and said, "My coworkers teased me today because I always pack my lunch."

"What did you say to them?" I asked.

"I just smiled and said I was happy to pass on lunch out because we had managed to save our first $100,000 by doing things like that."

That shut them up. His coworkers all had car loans and credit card debt and were living paycheck to paycheck. They couldn't imagine a six-figure savings account.

Being deliberate with our choices hasn't really been a sacrifice. It's just been doubling down on creating the life we really want.

I love this quote by Mary Oliver:

Tell me, what is it you plan to do

with your one wild and precious life?

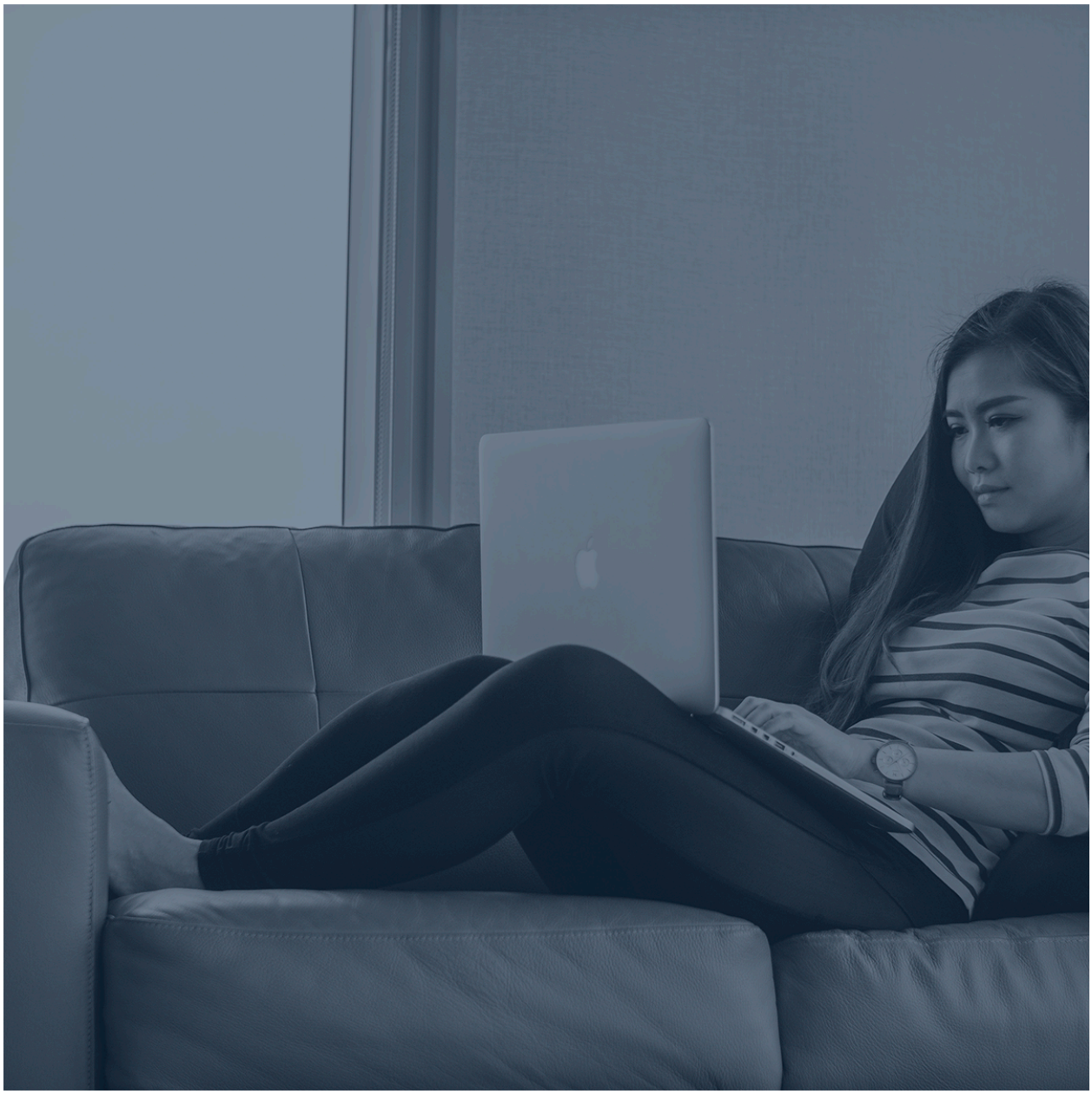
Tell me, what's your answer?

. . .

Jillian Johnsrud is a writer, creator, and mentor. She blogs at Montana Money Adventures.

Time Is Not Money

—Grant Sabatier



Don't trade your time to make more money. Instead, use it to secure your financial freedom and buy happiness.

I was riding the New York City subway yesterday and noticed an ad for a ride-sharing company that simply read "Time is Money."

But it's not. In fact, this is one of the biggest myths in our world today and it's holding so many people back. Just because it's what everyone says doesn't mean it's true.

Sure, time and money have a number of similarities. They're both human inventions that we embed with power, emotion, and meaning. They're also both energies that we're forced to have a relationship with throughout our lives. We track the numbers in our bank account and the passing of time on our wrists. They each power our lives.

Money and time are also both cultural. How we think about money and time is based on how we grew up, where we grew up, where we live, and how we see the world.

How time is perceived can vary radically between two countries. In the West, we view time as linear; there's a past, present, and future. We schedule five-minute calls and ten-minute meetings and use productivity calendars to optimize our day and plan for our futures. But in the East, it's more common to view time

cyclically, where the future is less planned for and opportunities always come back around.

But time is not money.

If some 100-year-old rich dude offered you $100 million to trade places with him, would you do it? Of course not. Why? Because time is more valuable than money.

Money is infinite, but time is finite. You can always go out and make more money, but you can never get back this moment. You can always go find another job, start a side hustle, mow your neighbor's lawn, start driving for Lyft. You can hoard money in your bank account. But time is an ever-present wind. It just flows. You can't put it in your pocket.

As long as we believe the relationship between time and money is linear, it will hold us back. We'll keep trading our time for money because we believe it's the only option.

Because we think time is money, we trade more of our time to make more money. We stay at the office later and work more, instead of spending time hanging out with our friends and family and taking in the joys of life. In reality, if we used time to do things that we loved, we would lead happier lives.

Sure, you might love your job. If you do, congratulations! You've won the game. But if you don't and always think that you need to trade time for money, you'll end up making sacrifices that you don't need to make.

And when we manage our money poorly we also end up wasting our time. When you waste money, you waste time—both the time it took to make the money and the time you can buy with it in the future.

We only get about 27,000 days in our life. Don't you want to make the most of them? Of course you do. We all do.

Your relationship with time and money is an opportunity to build a life you love. You have a choice. Here are five ways to make the most of your money and your time, and to make more money in less time!

1. Figure out how much money you're actually making for your time.

In order to make the most for your time, you need to first figure out how much money you're actually making. How much money do you make for an hour of your life? I bet it's less, and potentially a *lot* less, than you think.

If you're getting paid by the hour, then you probably think you know. But have you subtracted the amount you have to pay in taxes as well all the time you spend commuting, traveling for work, de-stressing from work, shopping for work, and other time that you would spend differently if you didn't have to work for money?

I recently did this calculation with one of my friends, Sam. He makes $125,000 per year, but he learned that because he travels so much for work, he's actually making less than $20 per hour! He's now looking for a new job that pays more and takes less of his time.

You can easily do the calculation using the "How Much Money Do I Make?" calculator at https://financialfreedombook.com/tools/.

2. Is money helping you live a life you love?

Last year I met a business consultant named Dan. Even though Dan has more money than he will ever need, he spends almost the entire year on the road for his job, lamenting, "I wish I had more time to spend with my boys." In reality, Dan could easily step off the treadmill and spend more time with his kids.

I've met many well-paid people over the past several years who say the exact same thing to me: "I wish I had more time with my kids." It's almost always followed up with "Well, we don't have enough

money." So they want time, but even though they are making good money, they don't have enough time. Many of them could easily move to a smaller house, or to a different neighborhood, and get rid of their two cars, and then switch to either a part-time or more flexible job, or just a reasonable 40-hour-a-week job instead of an 80+-hour-a-week job, and free up more time to spend with their kids.

I've met many people who could easily make a couple of shifts in their lives in order to have a life that they would probably enjoy a lot more, but they're either too afraid to make a change or don't want to have to take a pay cut. Most people instead choose money over time. But is it worth it?

Is it worth it for *you*? Only you can answer that question.

3. Never leave money on the table, and negotiate remote work opportunities.

It's unfortunate that a majority of Americans don't take full advantage of the benefits their company offers, leaving potentially 20%, 50%, or even more additional compensation on the table. A 20-minute meeting with your HR department and asking whether you're taking full advantages of your benefits is worth having.

Of all the benefits, your ability to work remotely is the one that gives you the most control over your time. For example, when you can work remotely, you no longer have to commute. Also, many companies just want you to get the job done, so you might be able to get the job done in less time and then have more time to do other things you want.

Most research shows that employees who work remotely are happier and more engaged in the work. If you don't currently have the ability to work remotely, try to negotiate just one day a week or every few weeks and build up from there. It can have a profound impact on your quality of life and your ability to make more money in less time.

4. Instead of selling your own time for money, sell other people's time.

No matter how hard you work, there's a physical limit to how much you can work in a day. And if you spend the next 40+ years working for someone else, you'll be limited by both your own hours and how much your employer is willing to pay you for your time. Also, with more money often come more responsibilities and more time expectations!

But if you work for yourself, either full time or part time with a side hustle, you can choose what you charge. You can also hire other

people to do the work and no longer be limited by the hours you have in a day.

Once you hire other people to do the work, you become a connector between supply and demand. Uber doesn't drive cars; they connect people who need rides (demand) with people who will give them rides (supply). Instead of walking dogs yourself, hire other people to walk the dogs, and spend your time growing your dog-walking business!

5. Invest as much money as you can, as early and as often as you can.

Whether you're investing in stocks, bonds, real estate, or businesses, the goal of investing is for your money to make money. Investing is the ultimate form of passive income because it disrupts the linear relationship between time and money. You often don't need to trade more time to make more money. What's better than making money in your sleep?

Warren Buffett, even though he has the same 24 hours in a day that you and I do, makes approximately $1.5 million per hour from his investments (even when he's sleeping!). If Warren Buffett

decides to take off the next month and hang on a beach, then he's still going to be making close to $1.5 million per hour.

While I'm no Warren Buffett, in 2018 I was able to make $45 per hour from my own investments even while I was sleeping! I made the vast majority of my own investing gains—over $1 million—from a few clicks on my phone over five years ago. It literally took me just a few minutes and it's still making me money.

Time is not money. It's so much more valuable. This moment is all there is.

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Grant Sabatier is the creator of Millennial Money, where he writes about personal finance, investing, entrepreneurship, and mindfulness. He is the author of *Financial Freedom*.

How I Paid Off Nearly $1 Million in Debt in 2.5 Years

—Naseema McElroy

Become a believer in the possibility of debt freedom. Naseema McElroy did.

How the heck does someone acquire a million dollars in debt?

That's the first question most people ask me when I begin to tell them my debt journey story. My canned answer is "Two master's degrees and a house in the San Francisco Bay Area."

The truth is, how I got into debt and dug myself out isn't really that important to me. Not to be arrogant or to downplay the effort it took for me to accomplish. It's just that a whole new world opened up to me when I learned to master my money. A life that I didn't even know was possible is now my reality because I wanted to do better for my daughter and took the steps to make it happen.

Through and because of this journey, I have been able to flee an abusive marriage, walk away from a dangerous work environment, and build a life where I only have to work six days a month. I currently focus my days on family and empowering people to seek more from life, with financial freedom being the vehicle to get there. There is so much power in being able to free yourself from financial strain.

Baby Steps

When I started this journey, I was a single mom and my daughter was turning one. I just wanted to be able to keep my head above water. I was broke and had nothing to show for all the money I made. I didn't even have a hundred dollars in the bank. I found myself in a position of having to borrow money to make ends meet. That was my breaking point. I hate asking for help. I made too much money to be this freakin' broke. Enough was enough.

Fueled with the desire to do better, I asked myself what I could do to see some immediate results.

I had a condo in Inglewood, right outside of Los Angeles, that had been a thorn in my side for years. Buying this condo was my first exposure to real estate and not the best investment. The building was old, the pool was condemned, and the homeowners association was in turmoil. I sunk more money into this property over the ten years I owned it than I could ever have recouped.

I decided to sell. Selling released me from the financial burden and the associated stress. With the proceeds from sale, I planned to pay off debt, build savings, and invest. The problem was, I knew nothing about investing. I knew I needed help. I searched online for the top financial podcasts. That's when I stumbled upon the Dave Ramsey podcast.

At first I felt a disconnect. Dave's southern drawl and conservative values made him feel unrelatable. What did intrigue me, though, were the families who came on his show to discuss their journey to debt freedom.

These Debt Free Screams brought me to tears more often than not. Family after family shared how they overcame financial struggles, paying off massive debt. I was most impressed with the fact that people did this while not making tons of money. On average, they were able to pay off all their debt in two years. If they could pull this off, there was no way I couldn't.

Shortly after, I decided to start implementing the baby steps. I got married. We immediately combined incomes and, despite our being on the same page financially, our marriage was tumultuous. He became physically and emotionally abusive just a few weeks into our marriage. This resulted in his being imprisoned four months later.

He was released after serving two months, only to turn around and go back after having violated other women in the halfway house where he was staying to work on transitioning home. Though it may seem silly when reflecting back on this time, I remained married to him and was committed to improving our relationship. I remember a coworker asking me, "How much does he have to do to you for you to leave?"

No one gets married to get divorced. I felt like a failure and I was ashamed of putting myself in this position. It took months of counseling before I actually filed for divorce. I can 100 percent say that if I hadn't taken the steps to ground myself financially, the decision would have been way harder. I knew this divorce was going to cost me, and in the middle of paying off this massive amount of debt, I incurred an extra $10,000 in debt from the divorce settlement and $30,000 from the IRS because of the way I had to file while going through the divorce process.

That $40,000 was well worth it. Although it could have debilitated most people, I was empowered to knock out that debt even more because it afforded me freedom from abuse and let me walk away from the relationship before it had detrimental effects on my daughter.

Though this may seem like a deviation from my debt payoff story, I feel this is important to share because any progress you make in life isn't linear. Challenges will arise, and these challenges may be debilitating, but they won't hold you down forever. If you power through, later on they will be little blips on the radar and serve as a testimony for someone who might be looking for hope because they might be in a similar situation.

Nonetheless, you really just want to know how I eliminated so much debt so rapidly.

The Tools That Did the Job

Selling my Inglewood property gave me the boost to knock out a few debts, but I attribute my success to two other tools: the debt snowball and zero-based budgeting.

The *debt snowball* is a method where you pay off your debts in order from the smallest amount due to the largest. You focus on throwing every extra dollar you can dig up at your smallest debt and only pay the minimums on the rest.

Once the smallest debt is paid off, then you have freed up that minimum payment. That's extra money to contribute to the next debt on your list. The money you have to use toward your debt accumulates, or snowballs. You are able to make bigger payments as you knock out debt after debt.

A *zero-based budget* gives every dollar of your take-home pay an assignment. For it to work, it has to be realistic. It should look different every month to adjust for holidays, life events, or one-off expenses. It's also ideal to have it done at least ten days in advance of the month.

I used to think budgeting was just tracking income and expenses. I knew what was coming in and out of my accounts every month, but I didn't have a plan for my money. It wasn't until I started

keeping a zero-based budget that I realized I wasn't actually budgeting. Without having to make any lifestyle adjustments, I was able to find $4,000 a month and more to throw at my debt.

Using the combination of zero-based budgeting and the debt snowball, I saw my debts exponentially decrease. If I found five dollars in a jacket pocket or twenty dollars in an unused bank account, I was making debt payments. I remember there was one month I made so many payments on my student loans that I exceeded the online payment limit.

By September 2019—or 29 months into my debt freedom journey—I had eliminated $394,000 in debt and had $50,000 left to pay off. Then I decided to sell my primary residence. My mortgage debt on that home totaled more than half a million dollars.

By November 2019, I was debt free!

Making Use of Hard-Earned Freedom

That's about when I discovered the FIRE (Financially Independent/Retire Early) community. It was exactly what I was looking for after having paid off my debt—a new goal! I had calculated that if I remained working at my two jobs I could "retire" in three and a half to four years. My new goal became to maximize all my investments.

Then the perfect storm hit. One of my jobs became a toxic and unsafe place to work. I was experiencing emotional stress that was manifesting in physical symptoms. My employer rejected my attempts to reach out for help in the form of mental health counseling. At the same time, my partner was offered a position out of state.

I had a choice: either keep pursuing the FIRE track or take a leap that would mean a substantial decrease in my income.

I chose me. I chose my family. That is, I chose to let go of the debilitating strain that work was causing me. By moving to a state with a lower cost of living, I only had to work six days a month.

I also chose you. By not having to work as much, I reach more people, sharing my story and empowering others on the path to financial freedom.

You see, it's a whole new world. A world where it's not all about the hustle and grind and just making money because that's what we are told is success. Although I'm still on a path toward financial freedom, my choices are truly about living every day in my purpose and serving as many people as I can.

This is what paying off all that debt did for me. This is what I hope it can do for others. People may be searching for the debt payoff

solutions, but ultimately, even if they don't know it, what they are looking for is the freedom that being in control of their finances can bring.

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Naseema McElroy is the founder of Financially Intentional, a blog about personal finance and living life intentionally. She discusses how taking control of her finances has enabled her to overcome bankruptcy, divorce, and break the cycle of living paycheck to paycheck. She shares her lessons along her path to help others benefit from the freedoms of financial independence.

Taking Charge of the Charges You Owe

—Elli Rhodes

To get yourself out of debt, you have to go from being a passive to an active manager of your money.

It's been a seismic shift. I've gone from feeling buffeted on the waves of my finances—either swept along on the crest of the good, relatively lucrative times or sinking under the swell of the demands on my paycheck-to-paycheck lifestyle—to being in control of how my money comes in and goes out and how it works for me.

Five months ago, I was lost, paying interest on credit card debt and feeling powerless about the situation. It was so easy to come up with reasons why it was all beyond my control—we'd bought a fixer-upper and were in the throes of renovating the kitchen; it was becoming clear we would then need to replace the roof; I work part time since we started our family; the cost of petrol for my commute had been rising; and so on.

I had begun my journey toward a simpler, more minimal lifestyle in the summer of 2015 and I was still devouring books and articles about purging possessions, reducing diary commitments, and now about how to manage my money. Aspects of the advice made perfect sense, and I'd been tracking my income and expenditure for a couple of years—but the total balance continued to have a minus sign before it more often than not.

I'm in my mid-thirties and my salary has increased with the experience and expertise I've developed since starting my career. Like so many others before and after me, however, I found that any increase in the number on my pay slip each month didn't solve my balance-sheet problems. The figure in my outgoings total increased in line with, and often exceeded, the incomings.

I was skeptical about the stories I had read of paying down debt at lightning speed—it just didn't sound like it would apply to my part-time working, bought-a-building-project situation. I mean, who manages to pay off building work, pay down credit cards, *and* carry on putting food on the table, all at the same time? Surely not me. I was just the person who watched the numbers tick in and out of my account and wrote them down in an increasingly depressing spreadsheet every week. I figured the people I was reading about must have had pay raises or reduced their outgoings in some mystical, lucky way that I could never replicate.

My approach was not head-in-the-sand oblivion about money. I was aware of what was happening. But for all the difference I was making, I may as well have gone to stand upside down in the nearest sand dune.

It was so easy to set off with good intentions at the start of the month and pay essential costs first, determined that this month would be different. But somehow, time after time, I was squeaking

through until payday and reverting to expensive credit to plug a gap when there was something I needed in those final few days, when the money had run out but there was still some month left to go.

I was good at reining in some urges to splash out, and I did better as the month went along and the total available started to fall, but this was not so much budgeting as passively watching a process unfold. It was even things as silly as any spending I did over a weekend, which felt great until Monday, when the banks caught up and the transactions showed in my account.

The message I want to convey here is less about specific advice and more about the mindset shift I experienced, which enabled me to leave my previous role as a passive earner and spender, at the mercy of external forces and feeling negative about the prospect of ever making any changes to the situation.

Clearing the Debt

I was reviewing my credit card balances one Sunday afternoon in July when the amount of money charged as interest on one of them jumped out at me. I'd previously been careful about moving balances to avoid interest, but now I had let even that get out of my control. I couldn't believe that I owed as much to the card issuer, just in interest, as I might spend on a lovely day out and

meal with my family. What benefit was I going to get from allowing that to continue? I mentally compared the memory of a lovely excursion the day before to the almost tangible pain of handing over this same sum of money for absolutely no reason or return. *This has got to change!* was my instant decision.

I began with the most expensive debt and set about clearing the card that had caused me to hit my own personal crunch point. I was determined it would get to zero, but I was not holding my breath, expecting it to be a long, drawn-out process and one that would make me feel deprived. What I found was very different. I was amazed at how quickly that horrible, four-digit, seemingly unassailable number dwindled away to nothing.

Within five months, I had completely cleared the balance on that card as well as another card with a smaller amount owing. I prioritized these debts before any discretionary spending, paying them only after the essentials of mortgage and basic grocery shopping were accounted for. Contrary to my pessimistic expectations, I really didn't miss the too-frequent takeaway coffees or supermarket packaged sandwiches that I decided to forgo rather than charging them to my card at the end of the month.

I expected it to feel extreme and impoverishing, and to feel deprived of spending power when there was something I wanted to buy. I can assure you that none of those doom-laden

expectations were accurate, and I had completely reckoned without the pure satisfaction of seeing that credit card total, and its accompanying demands for pointless interest payments, disappearing with every repayment.

It was astonishing to me just how much money I was able to pay off in such a short time frame, and it has been incredibly empowering. I am not at the mercy of a too-small resource; I am in control of an amount that has turned out to be more than enough, when managed proactively. Looking at the spreadsheet before making a purchase, rather than opening it afterward to record an amount—it's hardly rocket science!

Having some experience in purging physical possessions, I had no trouble with not buying clothes, shoes, books, and so on. As you may gather from the coffee and sandwich example, I discovered a weakness for buying food and drink to go, which I hadn't previously identified, and that was also helpful in illuminating why my half-hearted weight loss goal wasn't getting met either!

Less than half a year on from my moment of realization that I was sacrificing family time and enriching experiences for entirely unnecessary interest payments, I had two credit cards with zero balances and a third on a 0% deal with monthly payments arranged so that the balance will clear before it incurs any interest. The builders were paid on time for the kitchen; the roof was

replaced and paid off straight away; and we still had enough to spend on wonderful experiences together. In addition, I have continued to donate to charities, including a local soup kitchen and children's charity, and have been able to give more now that I am not wasting it on interest payments.

I'm delighted to find that just as clearing possessions made me intentional about what comes into my house in the form of material items, so clearing debts has made me intentional about what and how I spend. The cleared cards have stayed clear and the lethal habit of topping up my spending power with expensive credit at the end of the month has been cured. I'm able to spend to add value, rather than to get a quick fix that I'll pay for two or three times over.

Give It a Try

Perhaps you are in the situation I was in last summer. Perhaps becoming debt free doesn't sound doable for you. I hear you! It's easy to think of all the reasons why it can't possibly work for you. You've heard some of my reasons, and you'll have a whole set of your own.

My hope is that this article can contribute to your crunch moment and inspire you to try. I went from thinking, *That will never work for me!* to thinking, *What do I have to lose by trying?* and then to

realizing, *Wow, that was quick and pretty painless!* I strongly advise you to follow my lead.

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Elli Rhodes is a teacher, freelance trainer, and writer based by the sea in northeast England. She is looking forward to listing her occupations in a different order, now that her improved finances leave more time and opportunity to write.

Everything You Need to Know About Credit Scores

—Michelle Black

Lenders are paying attention to your credit scores. Are you?

Life is full of things clamoring for your limited attention. It can be difficult to consider adding another task to your already-too-busy schedule. Yet if you do not set aside time to give your credit the care and attention it deserves, you could pay greatly for the mistake.

Believe it or not, your credit wields a tremendous influence over your entire financial well-being.

Why Your Credit Matters

If you have never paid much attention to your credit reports and scores before, you may find yourself wondering if credit is all that important. Spoiler alert: it really is.

When used correctly, good credit can help you to build wealth and financial freedom. Here are just a few examples of how your credit reports and/or scores can have an impact upon your life.

- Credit reports and scores can impact your ability to secure housing or purchase a home.

- Credit reports (never your scores) might impact your ability to land a job or promotion.

- Credit scores can impact your ability to qualify for a mortgage, a loan, or a credit card account. If you do qualify, your credit will help determine how much you pay for financing.

- Credit scores might influence the cost of your insurance premiums (auto, home, and life).

- Credit scores can determine whether you are charged a deposit for a new utility or mobile phone account. If a deposit is required, your credit may also determine how much you are asked to put down.

What Are Credit Scores and How Are They Calculated?

Accepting the fact that your credit really does matter and shouldn't be ignored is a great start. Next, you need to understand how your credit scores are calculated. Contrary to what many people believe, earning good credit scores is a lot more complicated than simply paying your bills on time.

Credit scores measure your level of risk by evaluating the information contained in your credit reports. A scoring model will assess your credit report and deliver an easy-to-interpret number for future lenders to use. That score helps lenders decide whether they wish to do business with you and, if so, under what terms.

The higher your score (on a scale from 300 to 850), the better. While there are hundreds of different credit scores commercially available, FICO Scores remain the most popular brand among lenders. According to FICO, 90% of top U.S. lenders use FICO Scores when making lending decisions. [1]

Here's a look at how your FICO Scores are calculated.

- payment history (35%)
- amounts owed (30%)
- length of credit history (15%)
- new credit (10%)
- credit mix (10%)
- Payment History (35%)

Although how you pay your financial obligations isn't the only thing that matters when your credit scores are calculated, it is, unsurprisingly, the most important factor. Over one-third of your FICO Scores are based upon whether you pay your bills on time.

If your credit reports show a history of late payments, collection accounts, and other derogatory activity, your credit scores will

almost certainly suffer. The result? You may be required to spend a lot more of your hard-earned money on interest fees from lenders, if they are willing to do business with you at all.

Good payment history has the opposite effect. It can benefit your credit scores and, by extension, potentially save you a tremendous amount of money.

Amounts Owed (30%)

The debt you carry, especially credit card debt, is also influential over your credit scores. Contrary to popular opinion, you don't need to go into debt to earn good credit scores. In fact, the opposite is true.

Revolving utilization is an important factor that influences your credit scores. This term describes the relationship between your credit card balances and limits. Revolving utilization is calculated by taking your account balance (as it appears on your credit report) and dividing it by the credit limit. Next, you multiply by 100 and tack on a percentage symbol. Here's an example:

$3,000 credit card balance ÷ $6,000 account limit = 0.5 X 100 = 50% utilization

Ideally you want your revolving utilization to remain as low as possible (never over 10%, preferably 0%). Carrying outstanding credit card debt from one month to the next could harm your credit scores even if you make every single payment on time (not to mention the financial damage that expensive credit card debt can cause).

Length of Credit History (15%)

Credit scoring models are not allowed to consider your age whenever credit scores are calculated, thanks to federal law. [2] The age of the accounts on your credit reports, on the other hand, is fair game.

Generally, a longer credit history helps to increase your FICO Scores. Some of the factors FICO considers include:

- The age of your oldest and newest accounts
- The average age of accounts on your credit reports
- How long it's been since you used your accounts

New Credit (10%)

When you apply for or open too many accounts in a short period of time, your credit scores could decline. That doesn't mean that every credit application or new account will automatically damage your credit scores—that's a myth—but there is some potential for score damage whenever you start applying for new credit

In general, you don't need to be afraid to apply for new credit when you need it. You should just avoid applying for credit unnecessarily, such as to save 15% off your purchase with a random online retailer.

It's also typically fine from a scoring perspective to shop for the best interest rate when you plan to take out a new mortgage or auto loan. Multiple auto or mortgage inquiries within a 45-day window will be treated as a single event by most FICO scoring models.

Credit Mix (10%)

FICO Scores also consider your history managing different types of accounts. If you have a good mixture of credit cards, installment loans, and mortgages, your credit scores could benefit in this area.

Naturally, you shouldn't rush out and take on new debts just to improve your credit mix. If your credit reports are currently lacking a credit card or installment account, however, then opening one might benefit you (provided you manage the new account properly).

Improving Your Credit Scores

Regardless of the current condition of your credit reports and scores, the good news is that it's almost certainly possible for you to improve your situation. All you need is a solid plan and a consistent commitment to follow that plan through to completion. Not sure where to start? Check out these four simple tips.

1. Review your three credit reports frequently.

Federal law gives you the right to claim a free copy of each of your three credit reports once every 12 months. You can download your free reports from AnnualCreditReport.com. [3] If you've already claimed your free annual reports, there are many places online where you can access your credit reports for free or inexpensively.

2. Dispute any errors you find.

Credit reporting mistakes happen more frequently than you might believe and, unfortunately, could lower your scores unfairly. The

Federal Trade Commission released a study a few years ago finding that one in four consumers identified errors on their credit reports. [4]

If you discover incorrect information on your credit reports, you have the right to dispute it with the credit bureaus—Equifax, TransUnion, and Experian. When you dispute an error, the credit bureaus must investigate your claim.

If the item in question is not proved to be accurate, it must be removed from your credit reports within 30 to 45 days. You can dispute credit errors on your own for free or you can hire a reputable credit repair professional to manage the process for you.

3. Establish credit, if you need it.

You don't need to go into debt to earn healthy credit, but you might need to establish some accounts. Without open accounts, your credit reports may not meet the minimum criteria to receive a credit score. No score typically isn't as harmful as a bad score, but it still isn't good.

There are a number of ways to establish credit if you have limited or even damaged history. First, you could apply for a *secured credit card* where you make a deposit with the issuing bank equal to the credit limit on your new account. Second, you could ask a loved

one to add you as an *authorized user* onto an existing credit card account. (Just make sure the account has never been paid late and, preferably, maintains a low or zero balance each month.)

Finally, you might consider a *credit builder loan* from an online lender or local credit union. For relatively inexpensive fees, credit builder loans often allow you the opportunity to build some positive credit while creating a kind of forced savings account you can access once the loan is paid in full.

Regardless of the type of accounts you open, remember that on-time payments are essential. A simple, 30-day late payment might set your credit scores more than you realize.

4. Pay down debt.

If you already have established credit, paying down your debt may be another effective way to improve your credit scores. Yet remember that all debt is not created equal from a credit-scoring perspective.

Paying down credit card accounts could potentially have a tremendous impact upon your credit scores. The reason why this is true is because revolving outstanding credit card debt on your credit reports can be damaging to your credit scores. Thus, paying down the debt may reverse this effect.

Installment accounts are different. The balance of your auto loan or mortgage probably isn't having much impact upon your credit scores to begin with. Paying down that debt might make good sense from a financial perspective (provided you've already tackled your expensive credit card debt first). You shouldn't, however, expect much of a credit score bump when you pay down an installment account.

Credit Is a Tool

The most important point you should learn and remember about your credit is the fact that it is merely a tool. It is up to you to decide how you will use it. You can't blame your financial problems on your credit or your credit card accounts any more than you can blame weight problems on a spoon.

That's both sobering and empowering.

When credit accounts are abused, bad credit could cost you money and valuable opportunities. On the other hand, when you use credit responsibly, it can help you to build a more secure financial future for yourself and your family. In fact, well-managed credit could realistically save you tens or even hundreds of thousands of dollars in interest, fees, and premiums over the course of a lifetime.

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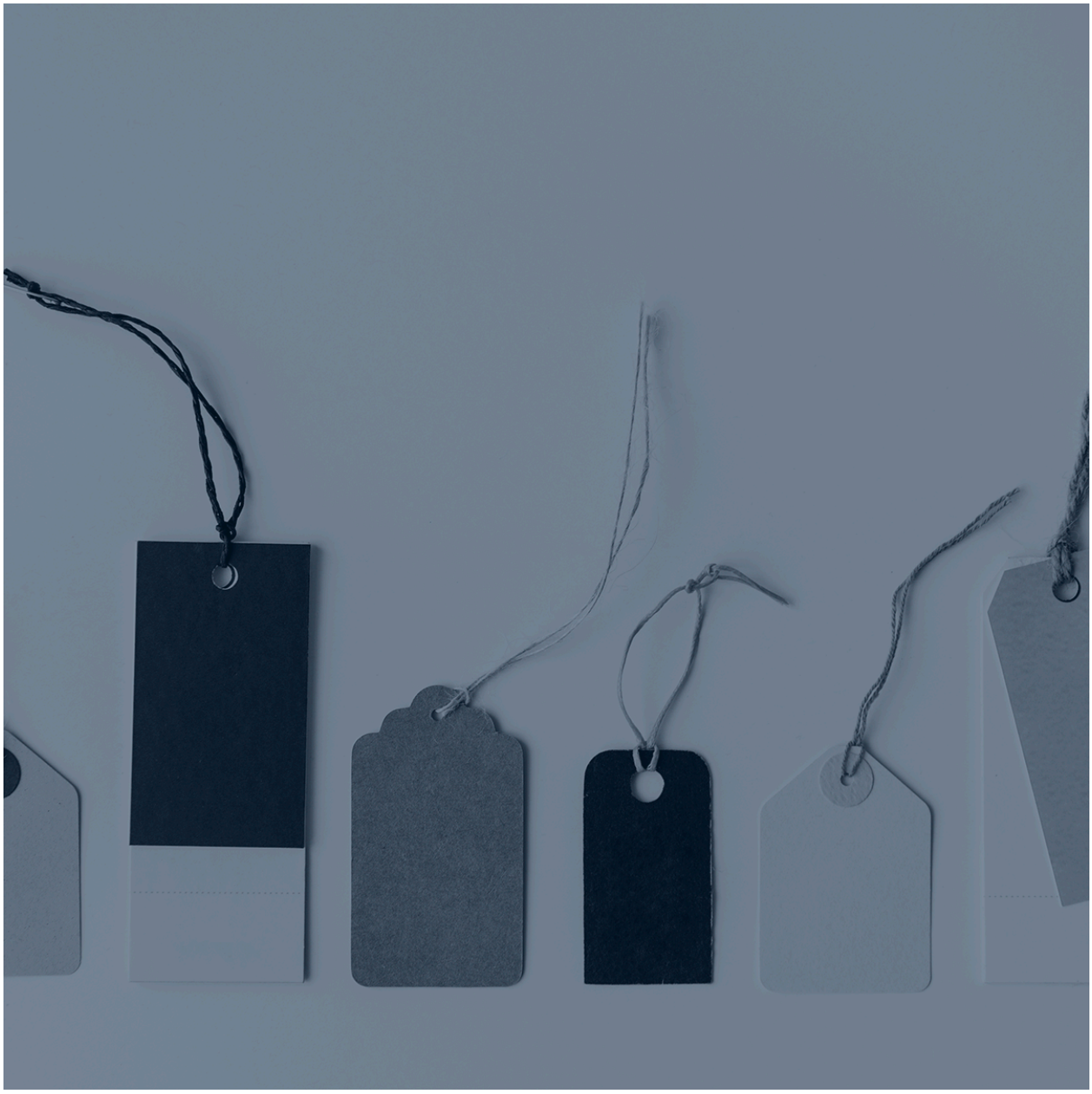
Michelle Black, founder of CreditWriter.com and HerCreditMatters.com, is a leading credit expert, author, writer, and speaker with over a decade and a half of experience in the credit industry. She is an expert on credit reporting, credit scoring, identity theft, budgeting, small business, and debt eradication.

Reasons to Escape Excess Consumerism—And How to Do It

—Joshua Becker



To go against the flow of people who are buying too much requires conscious determination. (And it's so worth it!)

Anyone who knows me knows I am trying to live a minimalist life. But that doesn't mean I don't own stuff. My family of four still owns three beds, two couches, two recliners, a table with eight chairs, a desk, plates, bowls, glasses, and coats. My kids use toys, books, and sporting goods. My wife sews. I read, play sports, and care for the house.

We may be seeking to live a minimalist life, but we are still consumers. Indeed, to live is to consume. It is in the very nature of living.

Yes, I still consume material goods—but I have worked hard to escape excessive consumerism. And there is a big difference.

Consumerism becomes excessive when it extends beyond what is needed. Think about it: personal credit allows us to make purchases above our income level; advertisements reshape our desires around material possessions; our consumption culture makes greedy accumulation appear natural; and ever-growing home sizes and storage units remove normal physical boundaries. None of this is needed. Or helpful.

Excessive consumption leads to bigger houses, more expensive cars, trendier clothes, fancier technology, and overfilled drawers. It promises happiness...but never delivers. It results only in a desire for more, and it slowly begins robbing us of life. It redirects our God-given passions to things that can never fulfill at the same time that it burns through our limited resources.

It is time to escape the vicious effects of our own unnecessary acquisition.

Ten Reasons Why

Consider this list of practical benefits of escaping excessive consumerism in your life:

1. Less debt

Just under half of Americans are unable to pay off their monthly credit card balance—carrying debt from one month to another. On average, the monthly balance carried forward is $6,929 per household, totaling $420 billion in consumer debt. [1]

This debt causes stress in our lives and may force us to work jobs we don't enjoy. We have sought life in department stores and gambled our future on the empty promises of their advertisements. We have lost.

2. Less time caring for possessions

The never-ending need to care for the things we own drains our time and energy. Whether we are maintaining property, fixing vehicles, replacing goods, or cleaning things made of plastic, metal, or glass, our life is being emotionally and physically drained by the care of things we do not need. Surely our lives are too valuable to waste in caring for excess possessions.

3. Less desire to upscale lifestyle norms

Television and the Internet have brought lifestyle envy into our lives at a level never before experienced in human history. Prior to the advent of the digital age, we were left envying the Joneses living next to us—but at least we had a few things in common with them (such as living in the same neighborhood). But today's media, especially Instagram and other kinds of social media, have caused us to envy (and expect) lifestyles well beyond our incomes.

Only an intentional rejection of excessive consumerism can silence the call to constantly upscale lifestyle norms.

4. Less environmental impact

Our earth produces enough resources to meet all of our needs, but it does not produce enough resources to meet all of our wants.

And whether you consider yourself an environmentalist or not, it is tough to argue with the fact that consuming more resources than the earth can replenish is not a healthy trend, especially when it is completely unnecessary.

5. Less need to keep up with evolving trends

Henry David Thoreau once said, “Every generation laughs at the old fashions, but religiously follows the new.” Recently, I have been struck by the wisdom and practical applicability of that thought, whether relating to fashion, decoration, or design.

A culture built on consumption must produce an ever-changing target to keep its participants spending money. And our culture has nearly perfected that practice. Every year (or even season), a new line of fashion is released as the newest, must-have trend. The only way to keep up is to purchase the latest products when they are released.

Of course, another option is to remove yourself from the pursuit altogether. I recommend this choice.

6. Less pressure to impress with material possessions

Social scientist Thorstein Veblen coined the phrase *conspicuous consumption* to describe the lavish spending on goods and services

acquired mainly for the purpose of displaying income or wealth. In his 1899 book, *The Theory of the Leisure Class*, this term describes the behavior of a limited social class. And although the behavior has been around since the beginning of time, today's credit culture has allowed it to permeate nearly every social class in today's society. As a result, no human being is exempt from its temptation.

7. More generosity

Rejecting excessive consumerism always frees up energy, time, and finances. Those resources can then be brought back into alignment with our deepest heart values. When we begin rejecting the temptation to spend our limited resources on ourselves, our hearts are opened to the joy and fulfillment found in giving our personal resources to others. Generosity finds space to emerge in our life (and in our checkbooks).

8. More contentment

Many people believe if they find (or achieve) contentment in their lives, their desire for excessive consumption will wane. But I have found the opposite to be true. I have found that the intentional rejection of excessive consumption opens the door for contentment to take root.

When I began pursuing minimalism and started intentionally owning less, I discovered greater contentment than ever before. Once I stopped wanting all the things I didn't have, I was able to better appreciate the blessings I already had.

9. Greater ability to see through empty claims

Fulfillment is not on sale at your local department store. Neither is happiness. They never have been and never will be.

We all know this to be true. We know that more things won't make us happier. It's just that we've bought in to the message of millions upon millions of advertisements that have told us otherwise.

10. Greater realization that this world is not just material

True life is found in the invisible things of life: love, hope, and faith. We know there are things in this world more important than what we own. But if one were to research our actions, intentions, and receipts, would they reach the same conclusion? Or have we been too busy seeking happiness in all the wrong places?

Ten Examples of How

Escaping excessive consumption is not an easy battle. If it were, people would achieve it more often. But it is definitely a battle worth fighting.

Here are some ways to begin making changes in your life and family:

1. Stop and reevaluate.

Look at the life you have created. Are you finding time, money, and energy for the things that matter most? Have your possessions become a burden in any way?

Slow down long enough to honestly evaluate the whole picture: your income, your mortgage, your car payment, your spending habits, your day-to-day pursuits. Are you happy? Or are you experiencing some of the negative effects of excess consumerism?

2. Stop copying other people.

Just because your neighbors, classmates, and friends are chasing a certain style of life does not mean you need to as well. Your life is too important to live like everyone else. And if you think you'll be

happier by following all the latest trends in society, you are wrong. Just ask anybody who has stopped.

3. Understand your weaknesses.

Recognize your trigger points. Are there certain stores that prompt you to make unnecessary purchases? Are there products, addictions, or pricing patterns (such as clearance sales) that evoke an automatic response from you? Do specific emotions (sadness, loneliness, grief, or boredom, perhaps) give rise to mindless consumption? Identify, recognize, and understand these weaknesses.

4. Look deep into your motivations.

Advertisers play on our motivations by appealing to our desires in subtle ways. They don't communicate facts about a product; they seek to stir up emotions. They promise adventure, reputation, esteem, joy, fulfillment, and sex.

What inner motivations are subconsciously guiding your purchases? What unhealthy motivations do you need to root out? And what motivations (such as meaning and significance) do you need to fulfill elsewhere?

5. Seek contribution with your life and usefulness in your purchases.

We are more than consumers; we are contributors. Our presence on this earth ought to bring value to the people around us.

Purchase only what you need to more effectively accomplish your unique role in this world. Everything else is a distraction.

6. Count the hidden cost of each purchase.

Too often, when we purchase an item, we only look at the sticker price. But this is rarely the full cost. Our purchases always cost more. They require time, energy, and focus (cleaning, organizing, maintaining, fixing, replacing, removing). They prompt worry, stress, and attachment.

Henry David Thoreau, quoted above, also said this: “The price of anything is the amount of life you exchange for it.”

7. Test your limits.

Experiment with a no-shopping challenge. Go 30 days with no consumer purchases, 60 days without visiting the mall, or 120 days without buying clothes. You set the specific challenge based on your needs. You will break the cycle of shopping in the short term and lay the groundwork for greater victory in the long term.

8. Give more things away.

Your life will feel lighter. Your heart will feel warmer. The world will be better. And you will be reminded that shopping is not the answer.

9. Do more of what makes you happy.

Your possessions are not making you happy. So find what brings you happiness each day and do more of it. I find my happiness in my faith, my family, my friends, and my contribution to the world around me. Your list may differ slightly. But doing more of what makes you happy and less of what distracts you from it is always a winning equation.

Start Today

It is time to rethink our spending habits, rediscover thoughtfulness and intentionality in our purchases, and remind ourselves that happiness is not on sale at the department store.

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You Could Be Richer than You Think

—Bob Lotich

Maybe you've got more than you realized. Maybe, in fact, you've already got all you need to be happy.

John D. Rockefeller founded the Standard Oil Company in 1870. He was the first American billionaire and one of the richest men to ever walk this earth. When I first learned of his story and the magnitude of his wealth, I couldn't help but imagine the luxurious extremes that his wealth would have provided for him.

As wealthy as he was, Rockefeller could have had anything that money could buy. His servants could have had servants who had servants. He probably could have bought every book that had ever been written for his personal library. He could have been hand-fed grapes while receiving a foot massage every time he traveled. Who knows?

I am sure many people today wish they could have walked in his shoes. But if somehow they could, I think most of us would find it to be quite eye-opening.

As I thought about the luxuries his wealth would have provided him, something caught my attention. There were actually some things that I enjoy on a daily basis that he wasn't able to enjoy. In fact, upon thinking about it, there was a whole lot that I took for granted that he couldn't have bought with all of his wealth.

- He might have had every book known to humankind in his library, but I have Google. I have access to far more information —for free—than he could have ever dreamed of.

- He might have had servants following him around, fanning him everywhere he went, but I have central air conditioning. I can push a button and change the temperature of the room to whatever I desire.

- He might have had a personal chef making each and every meal of his, but his food options were just a drop in the bucket compared to those at the grocery store I walk into each week.

- He might have been riding in the most luxurious carriage, but even my 10-year-old car looks pretty nice compared to a horse and buggy.

- He could have ridden the fastest trains at the time, but today, for just a few hundred dollars, I can hop on a plane and get across the country at least three times as fast as he ever could have.

I think you get the point. What a few hundred dollars may buy today couldn't be bought with millions 150 years ago.

If we change the way we think of wealth and compare our standard of living to Rockefeller's, we're all probably doing pretty

good. In fact, I would go so far as to say that the majority of Americans live an all-around more comfortable life than Rockefeller did. Who, then, is actually richer?

How Much Do We Really Need to Be Happy?

Did you realize that if your household annual income is over $35,000, then you are in the top 1% of the richest in the world? (See for yourself at Global Rich List.) And if we can agree that most of us are living a more comfortable life than a billionaire at the turn of the 20th century, then shouldn't we be happy with what we have?

Should the fact that someone is living a more comfortable life than we are make us less comfortable? Or couldn't we be satisfied knowing that we live a more comfortable life than 99% of the world's population or the richest man 150 years ago?

Maybe we aren't complaining about what we don't have. Maybe instead we are solving our perceived problem of lack by using our credit cards. Do we really need all the junk we are buying, or are we forgetting how good we actually have it?

The Advantages of Not Keeping Up with the Joneses

Here's the point with all this. Why spend energy trying to be grateful for the things we have? Why not just try to keep up with the Joneses?

Here are a few reasons not to be envious and greedy:

1. Life is far more enjoyable when you are grateful.

Grateful people divert their energy to noticing the good things they've been given rather than focusing on what they don't have. This, in itself, makes them much happier and far more enjoyable to be around.

2. You can save a lot of money.

When you are thankful that you have a car rather than having to ride the bus every day, it makes it a lot easier to break the habit of buying a new car every year. This can apply to anything—for example, 4K TVs are great, but so is any color TV. (Are you old enough to remember when color was the new breakthrough TV technology?)

3. Forgetting about the Joneses can set you free.

Doing things to impress and appease other people is a dangerous trap. So many people voluntarily become puppets to those they are trying to impress—trading control of their lives for temporary social approval. Having been enslaved by it for years, I suggest forgetting about what the Joneses think. They're overrated anyway.

4. You can actually enjoy the things you have.

Everything loses a bit of its appeal as we get used to it. A new pair of shoes, a new car, a new job, or anything else—they are all exciting while we are anticipating them, but once we have them for a while, they just aren't as exciting as they once were. By truly appreciating what we have and focusing on the benefits of that rather than the "greener grass" elsewhere, we can truly enjoy our situation.

Antidotes to Discontentment

So, if discontent is so prevalent in our society, how do we fight against it? Here are a few ideas that might help:

1. Be the most grateful person you know.

Start every morning grateful for what you have. End every day with thankfulness. Say “Thank you” every opportunity you get—and mean it! At the risk of sounding cheesy, look for the silver lining in every situation. Often, even difficult situations or circumstances teach us something or lead us to something that we can be thankful for.

2. Cap your standard of living.

Parkinson’s Law essentially states that expenses rise to meet income. Have you ever wondered why, only a few months after you get a raise, finances are just as tight as they were before? This is why. We spend up to our income, without even realizing it. It requires a deliberate choice on our part to cap our spending to ensure that we don’t continue to fall into this trap.

3. Give as much as you can.

The most generous people I know are the most contented people I know. There is something about unleashing our generosity that wars against our desire for more. So I would encourage you to not only give out of your abundance but also give when it hurts a little. You will make someone else’s day better, and ultimately you will be destroying the discontentment and dissatisfaction in your heart.

As Coach John Wooden said, “You can’t have a perfect day without doing something for someone who’ll never be able to repay you.”

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