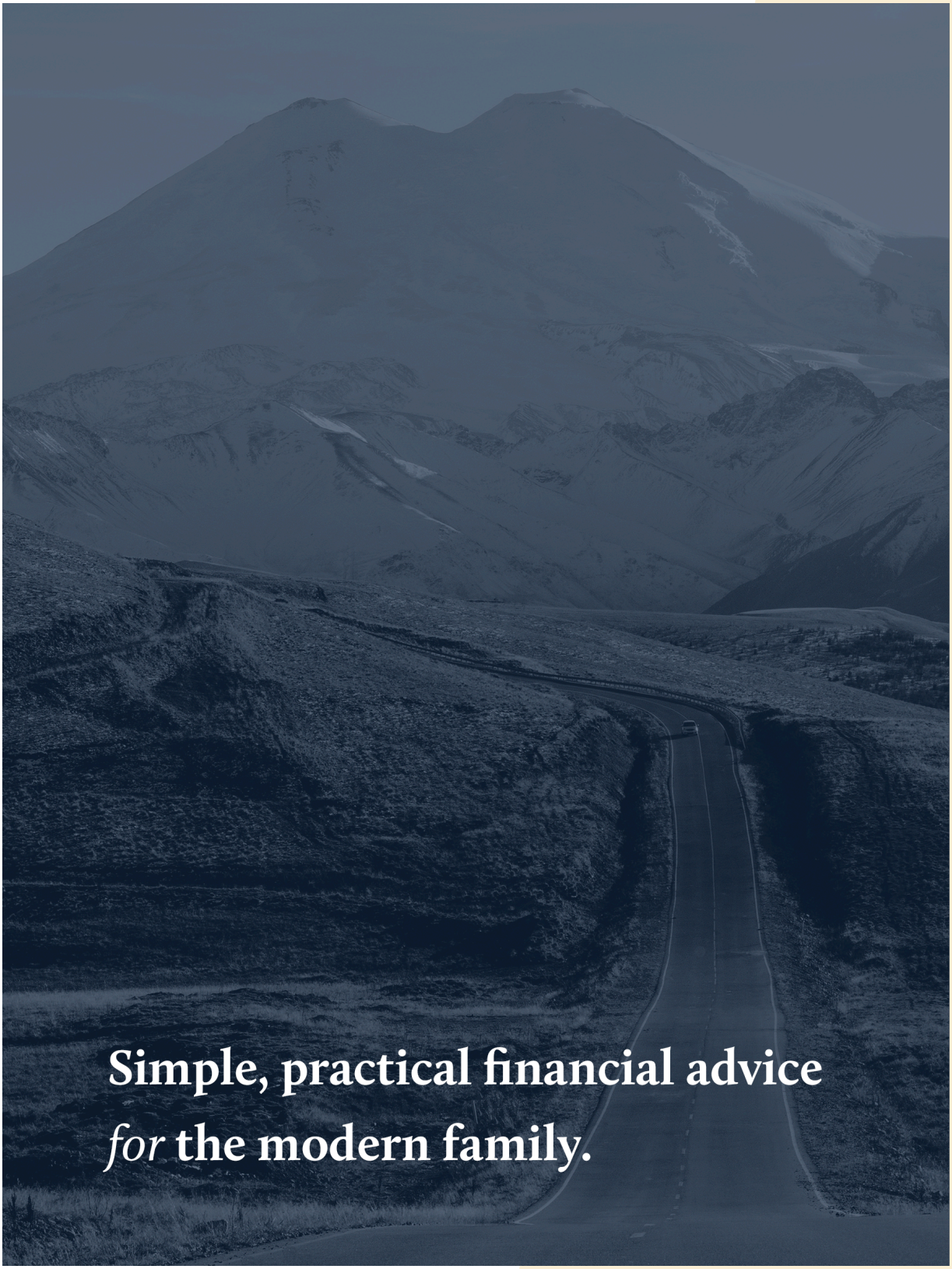
NO. 08 — MAY 2020

SIMPLE Money



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

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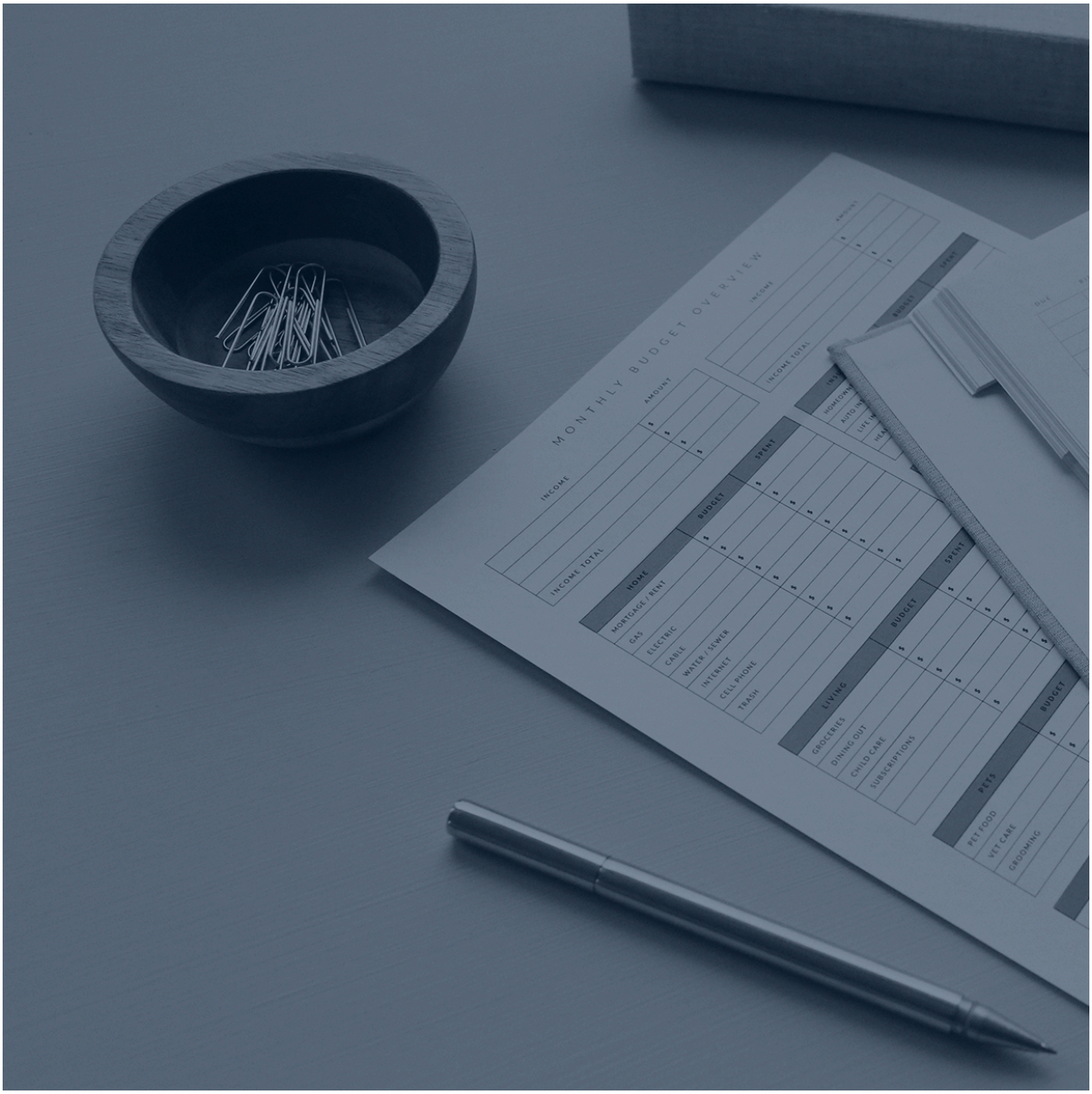
Bare-Bones Budget: Why You Need to Create Yours Today

—Melody Fanslau



Do you need help finding a way to build up that emergency fund, pay off debt, or navigate through a loss of income? Or are you simply trying to get a handle on your finances?

If any of these are true, a bare-bones budget is the tool you need to get started.

A bare-bones budget will give you the full picture of how much you need to survive.

And with this valuable information, you will get a firm grasp on your finances. You will be able to make informed financial decisions that can help you meet your money goals and weather financial storms.

Let's take a look at what a bare-bones budget is, why you need one, and how to create your own.

What is a Bare-Bones Budget?

A bare-bones budget is a budget that consists solely of your financial obligations (debt repayments) and essential living expenses. All of the wants (like streaming services and going out to eat) that typically bulk up our spending are eliminated.

With the wants eliminated, you will be able to see exactly how much your basic needs cost.

And knowing how much your essential needs cost each month will provide you with a base understanding of your finances. It will help you make tough, yet intentional decisions regarding your money when you need to.

Why do you need a Bare-Bones Budget?

A bare-bones budget is an invaluable tool in both good and bad financial times. Let's look at a few ways it can help:

1. It will help you get through a financial crisis.

A bare-bones budget will help you develop a plan to get through the tough times.

Since it accounts for only the amount of money you need to live on, you can use it in times such as job loss, a major health issue, or when a large unexpected expense occurs. It will help you make the tough decisions and decide what expenses can be eliminated when navigating through rough waters.

Your bare-bones budget will be your go-to when you need to free up as much money as possible to get through a crummy situation.

It will help calm your nerves and give you a plan to get through the hard times.

2. It will help you meet financial goals.

A bare-bones budget will help you meet your financial goals.

- Do you feel stressed because you don't have an emergency fund?
- Are you sick of being in debt and owing people money?
- Do you want to save up for a down payment on a house?

Adopting a *temporary* bare-bones budget can help you cut back on expenses to achieve financial goals like these.

And, even more exciting, by doing so you will also start to feel in control of your money. This is because you are intentionally making decisions for what you want your money to do for you. Intentionally directing your money is a powerful feeling.

3. It will open your eyes.

Creating a bare-bones budget will expose your spending habits. And this is a good thing. Looking at your expenses in terms of what is absolutely necessary will bring to light all of the things you spend money on that are simply wants, and not needs.

And when something is a want, it means that you have a choice as to whether or not that expense is worth it to you.

So if money seems a little tight each month, you can start by looking at the expenses that didn't make the cut for your bare-bones budget.

These are the wants. And they are the things you can stop spending money on to give yourself a bit more breathing room in your finances each month.

For example, one of my wants is going out to a nice restaurant once a month. The expense is worth it to me. But it's a want and not a need. Therefore, I know it can be cut out of my budget if I need to save money.

By calculating your bare-bones budget, you will start to understand where you are spending extra money. And it will allow you to see where you can cut back when you need, or want to.

How to create your own Bare-Bones Budget.

Creating your bare-bones budget has four steps:

STEP 1: Know your income

As with all budgets, it starts with knowing your income. Take the time to figure out how much money you are bringing in each month.

STEP 2: Understand your current expenses

If you already track your expenses, then you can move on to step three.

If you don't track your expenses, gather a few months' worth of bank/credit card statements to figure out where your money is going each month. This is especially helpful for those variable expenses that can change, like groceries, gasoline, or household goods.

This list of expenses will contain both your wants and your needs. It will be a snapshot of what your monthly spending typically looks like.

STEP 3: Determine your essential, bare-bones expenses

Now that you have a list of all of your expenses, you can separate them into two categories: essential (needs) and nonessential (wants).

Think about each expense critically. Do you really need it to survive? And if you do, can you cut back on the expenses further to truly only account for you needs?

For example, you may normally spend $400 on groceries each month. But for your bare-bones budget you may only need $300 because you will cut out some nonessential foods or make an effort to shop the sales more.

Essential expenses are:

- Rent/Mortgage
- Groceries, including pet food
- Household goods such as toilet paper, soap, etc.
- Minimum debt repayments
- Utilities
- Insurance Premiums
- Clothing (bare minimum)
- Car Maintenance/Fuel/Transportation Costs (needed to go to and from work)

- Health needs, such as prescriptions
- Daycare
- Personal Care
- Any other needs you can think of

Nonessential expenses are:

- Cable tv/streaming services
- Unnecessary data or features for cell phone
- Dining out
- Vacation spending
- Gym Memberships
- Any other wants you can think of

Your list of essential expenses will be your bare-bones budget.

While your list of nonessential expenses will be the things you can cut if you need to lower your expenses or save money.

STEP 4: Calculate your bare-bones spending

Once you have your list of essential expenses, you can add them up, and the total will be the monthly amount you need to survive.

As you can see, creating a bare-bones budget is a simple process that anyone can do. You don't need to be a financial expert to understand where your money is going.

And you don't need to be a financial expert to use that information to make wise money decisions.

To help you on your journey, I have created a downloadable worksheet to help you create your very own bare-bones budget. I will include a link at the bottom of this article.

You Got This

You can take control of your finances by understanding what your bare-bones budget is.

The information a bare-bones budget provides you is invaluable. It will be your fallback in times of financial hardship. It will help you reach your financial goals. And It will open your eyes and help you distinguish between your wants and your needs.

Your bare-bones budget will be your guide to making intentional money decisions.

And when you start to make spending decisions intentionally, you will feel more in control of your money (and your life).

So, go ahead, download the Bare-bones Budget Worksheet and get started today.

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Melody Fanslau is a personal finance geek who wants to help you feel confident about your finances. She writes regularly at Cash For Tacos, a blog dedicated to helping you align your money with your priorities.

Income Isn't Wealth

—John Goodell

My wife and I recently read *The Ant and the Grasshopper*, from *Aesop's Fables*, to our youngest daughter. If you recall, the grasshopper mocks the ant for spending all his free time amassing food. But when winter comes, the starving grasshopper begs for assistance—and the ant refuses.

Lately, I've been struck by the irony of this parable. As we celebrate the role of physicians in keeping us all safe from a virus, that same virus is slowly starving physicians of their salaries.

How am I acutely aware of this bizarre conundrum? I'm married to a family physician.

Before you break out the world's tiniest violin, allow me to paint a picture of what I and others are witnessing across the nation. The economics are startling, even if the personal finance lessons are a well-worn, cautionary tale.

Since this virus's arrival on our shores, more or less all of us are now under some kind of quarantine, except essential workers. As hospitals have halted their elective procedures to free up bed space and medical equipment, their revenue has taken a massive hit. In addition, many outpatient clinics have closed to prevent the spread of the coronavirus. Our once-booming economy has now ground to a halt—even for the medical field.

Those clinics that remain open have seen a dramatic decline in patients, who are presumably afraid they'll get the virus by visiting the doctor. I went to my doctor's office recently. It was a ghost town. It's usually packed with people, but there were no other patients the entire time I was there. Many offices, including my wife's, have gone to virtual medicine via video platforms, which has helped alleviate—but not eliminate—the financial burden.

Keep in mind that these same doctors are on standby if or when hospitals become overwhelmed. They will begin seeing patients to relieve the strain on hospital staff. In fact, that exact scenario is playing out in New York right now. Other hospital systems around the country have told their physicians to be prepared to do the same.

As the spouse of a physician, I have a lot of friends and acquaintances in the medical field. I'm seeing firsthand how little emergency savings many physicians have. Some doctors are now turning to locum opportunities, which is a type of moonlighting for physicians, to cover their earnings shortfall.

As Thomas Stanley observed in *The Millionaire Next Door*, doctors have notoriously high spending habits, including large houses with equally formidable mortgages, fancy cars with liens, and kids in expensive private schools. They also typically carry enormous debt incurred from all their schooling and low-paying residency years.

Yes, like the rest of us, doctors may have investment accounts. But those savings are needed at precisely the wrong time—when the stock market, and hence their investments, are down significantly.

I believe many physicians are now learning the difference between wealth and income. When you're heavily in debt and have high living costs, a high income can set you up for poverty, not wealth. Ordinarily, medicine is about as recession-proof an industry as exists. But a microscopic virus has shredded physicians' sense of financial safety, while also putting their physical safety at risk.

A cruel, added twist of irony: While stimulus checks will help out many Americans, most doctors won't qualify, because they previously enjoyed salaries in excess of the level required to receive assistance.

The oft-quoted "this too shall pass" applies not just to today's health and economic crisis generally, but also to the unfortunate position that doctors find themselves in. Patients will return eventually. My hope: Doctors, like all Americans, will learn from this crisis how insidious debt can be—and how important it is to have a robust emergency fund.

We are all being reminded, even many of the highest earners in our society, that income is not the same as wealth.

. . .

Major John Goodell is a U.S. Army Judge Advocate. Over a 14 year career, he has worked with Soldiers, Retirees and their Families on personal finance, estate planning, tax and retirement issues. His previous assignments include: chief of the DoD's largest client services office at Fort Hood, Texas and professor of tax and estate planning at the ABA-accredited Judge Advocate General's School In Charlottesville, Virginia. Currently, he works on artificial intelligence legal issues at Army Futures Command and serves as the primary legal advisor to the Army's task force partnered with the CDC on COVID-19 research. He still writes about personal finance and retirement issues at highgroundplanning.com.

Income Isn't Wealth originally appeared on HumbleDollar.com, a

Big Family Minimalism

—Jillian Johnsrud

I never searched out minimalism. Rather I stumbled upon it first as a type of survival tool. Our story is a bit of a winding and twisting journey. But our minimalism story started in 2014, while I was sitting in a job interview and honestly killing it. I was trying to hold focus on the interview but my phone was exploding with text messages and missed calls.

See, while I was interviewing my heart out, a 5-year-old boy with big hazel eyes had just been dropped off at our house by a social worker.

He had been in foster care for a while and had disrupted from the last 5 homes. (This happens when foster parents or birth family aren't able to meet the child's needs and a new family has to be found.) The social worker was rather confident we couldn't handle him either. I have soft eyes and a sweet smile that hides the depth of my love, tenacity, and grit.

She mentioned, almost offhandedly, he also had two little sisters. No other family had been able to keep them together and the State didn't want to attempt to place them together again. I just smiled my sweet smile and said, "Well, we aren't every other family. When you are ready, we are ready for anything."

It was a lie. No one is ever fully ready. His little sisters moved in a few months later. I quit my job and lived at the end of my rope for the next year.

Having four little kids at home is a lot (6, 5, 2, and 1). Just that alone. But it wasn't just that. Because these kiddos had high needs and were in foster care, we had 12 appointments a week of various meetings, therapies, and with professionals. There were difficult visits with birth parents. There were court dates and a rotating door of overworked social workers. There were lawyers, judges, and court-appointed advocates. There was the uncertainty of not knowing what the future held for these kids I loved so much.

Plus, there were these sweet kids. They had seen so much trauma and neglect in their short lives that every behavior was broken. I had the skill, knowledge, tools, and love that was needed. But I was exhausted—like lay on the floor at night after I tucked them in and cry silent, hot tears exhausted.

It's all too much. A life at the end of our rope.

We were all at the ends of our rope. While it was challenging to be the ringleader of this circus, it wasn't any easier for my kids. The two-year-old had lived with 5 different families before us. She called me and her birth mom, mama.

Just getting them ready for the twice-weekly visits with birth parents would nearly break us.

They were excited, terrified, overwhelmed, full of dread, happy, conflicted: all at the same time.

So they hit each other, melted down, took off their clothes, bit each other, screamed, hid, and lost their coats.

It was like dressing a whole litter of angry kittens into costumes and taking their picture. I would arrive to drop the kids off at the visit only to be criticized, belittled, or ignored by the birth family. I would smile my sweet smile then go cry alone in my mini-van.

The foster care process isn't easy or fun for anyone, not the kids, not the birth families or the foster parents. We all lived in a constant state of anxiety not knowing if they would be with us for the next birthday, or at Christmas, or when school starts. No one knew.

So minimalism found us.

I imagine most people start with minimalism with their stuff. Decluttering and all. Maybe they read an awesome blog, or hear a podcast, and think, "I SHOULD get rid of some of this stuff!"

I needed it in every area of my life, all at once. I dubbed 2015 the year of “Easier, not harder.” That was my only litmus test. Is this easier or harder?

I stopped wearing color because I didn’t have the time or skill to coordinate outfits.

I opted out of most of my commitments that were, in fact, optional.

I pulled my kids from sports.

I ate the same breakfast every day.

I told all my kids’ teachers we weren’t doing any homework. None. No reading charts, no math worksheets, no flashcards. I was so thankful for what the teachers were doing at school, but I couldn’t add “teacher” to my list of things to squeeze into our evenings.

I had to set boundaries with professionals. “No, I can’t change our appointment time every single week. Either keep our time, or we skip it.”

I had to learn minimalism in my relationships. Most people were incredibly supportive, encouraging, and really understood the importance of what we were doing. But some people....didn’t. I

didn't have any leftover emotional energy to hear, *"Why are you doing this? Why don't you just give them back? The system is so broken, you shouldn't have to put up with this."*

I started owning the fact that I live in a real human body that needs food, water, exercise, and sleep. I started to accommodate those seemingly unreasonable demands of my non-robot body.

Bit by bit, we were doing better. Not just surviving with our nose barely above the waves, but almost flourishing.

Then in the same week in June 2015: We were officially asked to adopt our kids, and we found out we were pregnant.

Enter minimalism, level ninja.

I'll admit, I had a bit of a mommy meltdown when I found out we were pregnant. Sure, we had spent thousands upon thousands of dollars on fertility treatments over the years. Sure, we had tried for 7 years. But now? Adding a baby definitely didn't fall into my "easier not harder" motto.

We had been shopping for a bigger house. We were a family of 6 in 1,650 cozy square feet. A bigger house seemed to make sense. Every single person who came to our house echoed the words, "So

when are you moving to a bigger place?" like it was the chorus line in a Disney movie.

But the saying "a baby changes everything" is true.

Turns out, we didn't want more and bigger. Our entire life already felt "more and bigger." We wanted less. Actually, we all needed less.

Less clutter. Less cleaning. Less overwhelm. Less hectic. Less appointments.

We needed margin for the right kind of more: More engagement. More quiet. More stories and cuddles. More adventure. More travel. More time in the garden. More focused time. More creativity.

More stuff and more space weren't going to give us any of that.

We donated 50% of the kid's toys. And only kept three out at a time to play with. And I saw the kids settle in. Instead of the anxiety, overwhelm, fighting, and frustration they felt when confronted with a massive heap of toys, they just played. Slowly, carefully, and thoughtfully with one toy. There was no cleaning up at the end of the night. Each child set one toy on a shelf and it was over. That

one simple change freed up a mountain of emotional and relational energy.

I made it a mission to touch every item in our house. I would ask a few questions.

Is this a “hard-working” item, or is it “lazy?” We didn’t have space for lazy items. Our home couldn’t be a storage unit for barely-used items.

I would ask, “If I didn’t already own this and saw it at a yard sale for $5 would I buy it instantly, with joy?” Because if it doesn’t add $5 of value, it doesn’t deserve a place in our home.

Good things happen in the margin.

Minimalism is an act of faith at first. We pared our life down. Appointments, relationships, classes, sports, commitments, stuff with no guarantee of a better outcome. There was no promise in writing that what we would gain would be better than what we were letting go of.

You pull your kid from a sport and just hope. Hope that the extra two hours a week somehow adds as much value as the sport was adding. It takes a bit of faith to hold space. To create margin and not rush to fill it up again.

We got rid of “perfectly good” toys. (OK, and a crap ton of Mcdonald’s Happy Meal toys.) It’s an act of faith to say, “We are going to donate all these “perfectly good” toys that at one point we actually spent money on,” and just hope that “less is more.”

To the mama’s.

I kind of just want to give you a hug at this point. I’ve raised six kids (my oldest passed away). I have to say that motherhood, in the thick of it, is the hardest and most beautiful part of my life. It has been my defining work.

So if you feel like your kids will kick, scream and cry themselves into a puddle if there were less toys, less classes, less sports, less commitments. Remember this: If you’re maxed out, they are maxed out.

My very normal kids hate picking up toys. Actually, I think they hated it even more than I did. They hated being corralled into the van. They hated the rush and my grumpy voice saying *“Where in the world are your shoes!? Why are they in the bathtub? Can anyone answer me this!?! WAIT!?! Why are you covered in purple paint? OMG, I don’t even care. Come on. We are SO late. Please, please, please just put your shoes on.”*

Despite what it seems, minimalism is a perfect fit for families. If anyone needs this: it's families.

Here is how we started this journey with the toys. (Because no one likes living in a house that looks like a daycare crossed paths with a tornado)! I had this conversation with my four kids who at the time were 3-8:

"I think I haven't been doing a good job. I think maybe I've made it too hard for you guys to pick up your room. The job is simply too hard. And that's my fault. So here's what we will do. You pick up as many toys as you can handle. Then I will come clean up the rest. I'll put them away on this special toy shelf. Anything you can take care of, just pick up and you can keep that in your room. The only rule is, only keep as much as you can handle. If it gets to be too much for you to take care of on your own, we will keep less toys in your room."

They managed to clean/organize about 5 toys. All the rest I took out of their room and put on a "toy shelf" that they could swap toys (if their room was clean).

It also made it simple to see what toys we could sneak away in the dark of night. If they hadn't picked the toy off the toy shelf in a few months, obviously it wasn't a high-value toy.

For moms who are terrified to start, this is about an easy of a sell as you can get. And my kids loved it. No shame, no blame. Just me making their life easier. No more cleaning, and no more tears over not being able to organize their room.

Big family minimalism.

When you walk into our home, “minimalism” might not be your first thought. Nothing, and I mean nothing, is white (even stuff that was white when we bought it!). There is a pile of shoes and coats and winter boots by the door. It’s loud with laughing, playing, and often someone is crying. I’m probably making chocolate chips pancakes. I’ll make you a cup of tea but a toddler will interrupt our conversation every 90 seconds.

But if you look closely, you’ll see a family flourishing with less. Happy, healthy, and whole. Our days are full of reading, writing, folding laundry, hiking, gardening, and travel. We eat real food, at a table. We have adventures on the weekend and a game night each Friday. We get enough sleep and have real conversations.

Sometimes I let myself wonder what our alternate life would look like. What path our three adopted kids might have taken if they didn’t end up together with us. But I don’t stay there long. Because my 90 seconds is up and a 4-year-old is peppering me with questions again.

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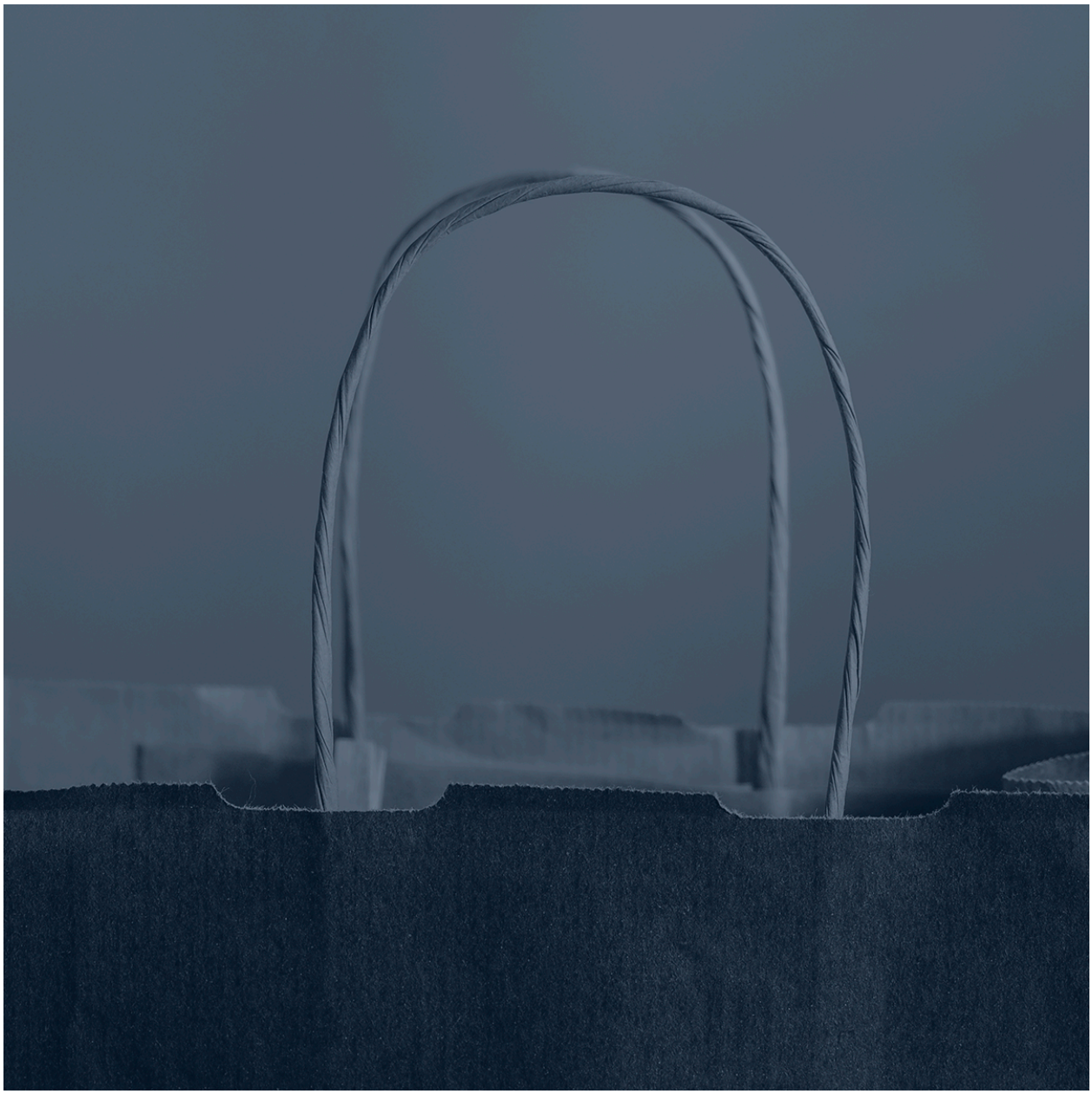
Jillian Johnsrud is the host of the Everyday Courage podcast. She became financially independent at age 32. You can find her free Create Your Own Financial Plan and podcast on her site, Jillian Johnsrud.

How Refund Policies Encourage Us To Spend More

—Joshua Becker



I have a friend. Let's call him Jim. Jim has an interesting shopping habit—from time to time, he will buy something at the store and bring it home with a thought in the back of his mind, "If this doesn't work, I'll just return it to the store."

The thinking is simple and, on the surface, appears to make perfect sense: *Because the store has a return policy, this purchase has no risk. If it doesn't fit or match or work for any reason, I can return it to the store. It's an easy choice... and a perfect win-win situation for me.*

Jim's thinking is not unique. In fact, we all have friends who act like Jim. And, if we are honest with ourselves, most of us are guilty of similar thinking.

My fictional friend, Jim, represents all of us—or, at least, Jim represents the 91% of us who say a store's refund policy is factored in their purchasing decision.

There is, of course, fallacy to this thinking. It is not entirely a win-win situation for the consumer. Jim is not considering the time, energy, and gas needed to return the item if so decided. And he is not considering that returning this item will require him to re-enter the very store that persuaded him to buy something he didn't need in the first place.

In fact, when you do a little research on the matter, you will discover that refund policies are not a win-win situation for the consumer… just the opposite, they are win-win situations for the seller.

It shouldn't surprise us that a store or brand would implement specific strategies to get us to part with our money—that is their job after all.

On a macro-level, society pulls us towards consumeristic pursuits. And on a micro-level, sellers utilize strategies to convince us to consume in the specific ways that benefit them most. In my book, *The More of Less*, I outline many of the specific tactics that retail stores use to convince us to buy more than we need.

Return policies are certainly one of them. I think it is important for us to be reminded that these policies are established to help, primarily, the store make money.

The prevailing question retailers ask when establishing their refund policy is "What policy results in the greatest profit for our business?"

But this was never more evident than in an article published in the Washington Post titled, "*The Surprising Psychology of Shoppers and Return Policies*."

The piece outlines a study conducted by the University of Texas-Dallas that seeks to get a "better handle on how return policies affect shopper behavior."

The results are interesting and important for us (as consumers) to consider. Here is a summary:

When it comes to purchasing, a lenient return policy results in an increase in initial purchases. The length of time allowed to return an item, the reimbursement percentage, the requirements for the return (necessary receipts, for example), the scope, and the specific exchange (store credit vs. money) were all factors considered important by a consumer. We consciously and subconsciously consider each of them when deciding whether to make a purchase or not. As would be expected, the more lenient the policy, the more likely a customer will walk out of the store with an item in hand.

But what is most fascinating about the study is not that it confirms what we know to be true, but that it shines a light on unexpected tendencies when it comes to returning items.

The researchers discovered something unexpected about consumers' return habits: *"More leniency on time limits is associated with a reduction—not an increase—in returns."*

In other words, the longer a time frame allowed to return an item for full refund, the less likely consumers were to return the item in question. The very characteristic that makes the return policy appear to be a major-win for the consumer is actually a major-win for the seller.

How could this be? Wouldn't the opposite be true? Apparently not.

The more time a shopper is allowed to keep an item before returning it, the more likely they are to just keep the item.

The researchers attempt to explain their finding in a number of ways: *the longer a customer has a product in their hands, the more attached they feel to it, the long time frame creates less urgency to take back the item*, and *the longer consumers hold on to an item, the more likely they are to find a use for it.*

What appears to be a win for the consumer is actually a win for the store.

Can refund policies by useful to the consumer? Absolutely, we've all found benefit in them at one point or another.

However, are these return policies implemented entirely for the sake of the customer?

Absolutely not. They are designed to result in higher sales and lower returns for the stores that implement them.

The very perk that Jim believes is designed to benefit him is actually designed to benefit the store that now has his money.

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Joshua Becker blogs at Becoming Minimalist, where he inspires others to own less. He is the author of four books, founder of The Hope Effect, creator of the Clutterfree App, and co-founder of *Simplify Magazine* and *Simple Money Magazine*.

How $39 Changed Our Mortgage Payoff Journey Forever

—Penny

Last year was a good year for our mortgage. More accurately, it was a good year for making strides toward getting RID of our mortgage.

Not only did our principal dip below six figures for the first time; we also managed to put one of the highest amounts of money toward our principal ever. Thanks in no small part to the fact that interest is now such a teeny part of our bill each month.

As someone who hates my mortgage, I spend a lot of time reading posts and articles from different people sharing debt pay down strategies. Of course, not everything is easily applicable. But it's inspiring nonetheless. (Reader, I do still vividly remember how defeating it felt a few years back to read about people paying down more money than we made in an entire year!)

Then, I got to thinking about our own debt pay down story. I realized I've shared a lot of the sexy numbers over the years with others, but there's one number I haven't shared yet.

This journey we are on? It all started with $39.

The Starting Details on Our Mortgage

The first thing that's worth saying is that I actually bought our house. I was 26 years old, and I had fantastic credit. My then-fiancé

(now Mr. P!) did NOT. Our original paperwork included his name but when we saw what it would do to our interest rate, I gave him the boot. Just from the paperwork. Our marriage is still in tact. :)

We locked in a 30-year mortgage at 3.5%. In addition to a terrific rate, we got the most motivated seller around. In fact, our tax assessor couldn't believe that it wasn't a foreclosure or a short sale when I called to negotiate our assessment that first year.

I made the first payment (Mr. P paid half!) at the end of January 2013.

The Start of the Journey

I lurked in the blogging world for years before I started *She Picks Up Pennies*. Like many people who stumble into the PF world, I found Budgets are Sexy, the blog of J-Money. I'd read his site for quite some time and then his post on rounding up your payments really resonated with me.

On May 28, 2015, I made our first extra payment toward the principal.

I paid $39.04.

It almost seems cute, but that small amount was so powerful. In so many ways, it was the first domino that led us to exactly where we are now.

What started as a measly $39 soon became $100. The numbers grew from there, as did our motivation.

Even though we had a mortgage, I always thought of myself as debt free. But then, I realized a mortgage is, in fact, debt. And I also had a zero percent car loan, but I suppose because I had the money to pay it off whenever I wanted, I didn't really factor it in as debt.

Once I realized we were living with six figures of debt, we got serious about figuring out how to pay it off early. First, I would sell things on Poshmark, collecting $8 here, $17 there. Then, we started putting stipend money and other small windfalls to it.

After paying off both our cars, we put that money toward making extra payments. That worked out phenomenally until we started cash-flowing advanced degrees (gotta get those teacher raises!). And then we had a baby.

My Wildest Dreams

Our loan is set to end in August of 2042.

I didn't pay much attention to that number when we first closed on our house, but whenever I see it now, I laugh.

It feels like something out of The Jetsons. What will I need this house for when we will all be hovering somewhere in the sky?

As soon as I became aware of how much I dislike debt (yes, it's mathematically good, but emotionally, it does a number on me), I started to daydream with my husband about when we could actually be debt free.

The wildest dream I could imagine was to own our house outright by the time I turned 40.

After all, we were two teachers living in a fairly expensive suburb. Cutting a 30-year mortgage in half seemed almost impossible, especially after adding a baby to the mix.

What We've Done in Seven Years

Fast forward to today. In approximately seven years, we prepaid $91,168.66 to our mortgage principal.

This past year, we paid $30,398.90 to the principal and $3,730.62 in interest. (It's so satisfying once you crest the point where more of

your money goes to the principal!) For context, that amount is more than my husband took home at the start of his career.

Where We Intend to Go

We're starting 2020 with $89,965.34 remaining on our mortgage (plus interest). Our payments will be $1,000 a month, like it or not, before any additional payments.

Once we max out our Roths for the year, we'll put everything extra toward our mortgage and see where we end up.

One thing is for certain, that stretch dream of being mortgage free by 40 is all but guaranteed to be our new reality.

Are you working on paying down any kind of debt? It's amazing how something like $39 was enough to change your entire trajectory.

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Penny is an educator in her early thirties who lives in the 'burbs of a big Midwestern city with her husband and toddler. In four years, they paid down over $100,000 worth of debt on two teachers' salaries. Her blog, She Picks Up Pennies, helps people live a more purposeful life one cent at a time.

The Similarities Between Physical Fitness and Personal Finance

—The Financial Pilgrim

What do physical fitness and personal finance have in common? On the surface, there are a lot of differences between personal finance and fitness. One involves income, spending, saving, and investing. The other involves physical activity, nutrition, and overall health. The reality is that these are two of the most important areas of our lives. It's no coincidence that there are striking similarities between both fitness and personal finance once you start digging in.

Fitness = Physical Activity + Nutrition

Fitness has always been a big part of my life. When I refer to fitness in this article, we'll be talking about both sides of the equation — physical activity and nutrition. Being raised by a dietitian and having a love of sports had me take an interest in both early on. Looking back, I feel fortunate to have built habits in both areas at a relatively young age.

Growing up in a house with two younger brothers and a junk food-loving dad, the competition for the unhealthy food was fierce. My mom would go grocery shopping every 10 days or so and the one bag of chips or package of cookies would be gone within a day, sometimes minutes. That would leave us with nothing but rice cakes, fruits and veggies, and other healthy options for the rest of the week and a half. It was rough.

Most nights we had home cooked meals that consisted of a protein, carbs, and vegetables. As I got older, I realize that having home cooked meals most nights was a rarity compared to other households.

We'd still get fast food on occasion. My dad was a fast food manager after all. With three kids in the house sometimes the easy thing was to bring home a big bag of burgers and fries so we could eat and then make our way to evening activities. This taught me one of the most important lessons on nutrition — everything in moderation. Eating fast food, sweets, or potato chips is usually fine on occasion as long as the majority of what you put into your body is more on the healthy side.

Whenever a new diet fad becomes popular, I'll ask my mom about it to get her thoughts.

Usually, she just rolls her eyes. Over the years there have been so many diet fads. Atkins, Paleo, Intermittent Fasting, Mediterranean, South Beach, and on and on. Almost everyone will swear by one of these diets and will back it by "science." I totally understand that some diets are the result of personal beliefs or food allergies. However, most people latch onto these fad diets, stick with them for a while, and then end up right back where they started. We'll hit on this topic more below.

Personal Finance is Personal – So Is Fitness

When attending FinCon, a conference for personal finance nerds like me, the theme was "personal finance is personal."

This statement basically means that everyone's situation is different. It's one of the reasons why I believe there are so many personal finance writers as we all connect to different people in different ways. What I've learned through personal finance is that if you want to change your behavior you have to change your habits.

Fitness, like finance, is behavioral. And it's personal. Everyone's situation is different. Hopefully this article resonates with some people, but it's impossible for it to be relatable to everyone. All I can do is tell my story and share the experiences I've learned over my lifetime with the hope that it makes an impact.

We have a deep emotional connection to both food and money. I know when I'm stressed and tired that's when I tend to stuff my face with junk food or drink alcohol. Similarly, others may practice "retail therapy" and will take to the malls to run up their credit card bill. It's a vicious cycle that hits us in our weakest moments.

So how do we change our habits? I'm not sure, but maybe understanding the similarities between fitness and finance will be helpful.

Similarities Between Physical Fitness and Personal Finance

Below are five similarities between fitness and personal finance that I've observed over the years:

Simplicity is King

We all know that we should eat better, workout more, and save more money. If you ask 100 people, I'm guessing 99 will tell you at least one thing they could do to make improvements. So why don't we change our habits? This is a deep, behavioral psychology question that hopefully we hit on in the next few sections.

I believe that one reason we do not change our habits is because solutions are made overly complex. Many of us genuinely try to make changes, but when things get too complicated, we give up.

Remember when eggs were bad for you? Everyone with moderate to high cholesterol used to eat egg beaters (and probably still do), which is a gross substitute for real eggs. Fast forward a few years and now eggs are considered a power food that increases good cholesterol. Similarly, when I was younger, fats were the devil and carbs were A-OK. Now, many people eat high fat diets and have sworn off carbs. These foods haven't changed over the years so what is different?

With all of this conflicting information, it's no wonder we're so confused all the time.

In fitness, everyone has different opinions on the best or worst workouts. According to "experts," weight lifting makes you too bulky, long distance running makes you skinny-fat, and yoga doesn't burn enough calories. None of these are necessarily true, but when you've been focusing on improving your fitness routine and hear similar sayings it can be discouraging and will leave you wondering if all the hard work you're putting in will pay off.

In finance, the alphabet soup of 401(K), IRAs, index funds, mutual funds, whole life insurance, term life insurance, bonds, fiduciary, money manager, and so much more can be extremely confusing. It's an industry where professionals benefit financially from making products overly confusing. With so many mixed messages, how do we even know where to start?

When we're changing habits, complexity is the enemy of progress. Here's what simplicity looks like in each of these areas.

- **Nutrition:** Eat real food and not too much.
- **Fitness:** Get moving doing something you enjoy.

- **Finance:** Spend less than you make and invest the difference in something you understand.

Keep it simple with fitness and personal finance and you'll get 80 percent of the way there. It will also be your best bet at making changes to your daily habits, which is easier said than done.

Track Everything

"You can't manage what you can't measure." – Peter Drucker

What's the best way to lose or gain weight? Count your calories. Every single thing you eat.

What's the best way to improve your finances? Track every dollar you spend.

What's the best way to improve your workouts? Record every workout in a journal so you can monitor progress.

Here's the problem: for people like me, tracking calories or dollars isn't fun. I've gone on record stating how much I dislike budgeting. In fact, we don't budget. Instead we use an approach called an anti-budget. Tracking calories, dollars, or workouts may not be for everyone, but it WORKS!

If you're not interested in tracking calories or dollars, see if you can find technology to help. I've used apps such as Mint (for money), MyFitnessPal (for nutrition), and JEFIT (for workouts).

Honestly, I don't do any of these regularly but when I have, the progress has been noticeable.

Thankfully we live in a generation that provides tools to help us easily track our fitness and personal finances.

If you're needing to make big changes in fitness or personal finance, trust the process and make a personal commitment to track your food intake, dollars spent, and workouts completed. You'll be shocked at the results.

Behavioral Change is Difficult

"There's been a lot of work done to help people change their behavior, but we really don't have many successful interventions to help people maintain those changes over time," says Jennifer Sumner, PhD, assistant professor of behavioral medicine.

Research shows that making changes to behavior is difficult. This is especially true with the food we eat, the money we spend, and the way we work out.

Humans are not rational creatures. Which is an important point because so many models and research efforts are based on the assumption that humans do think rationally. Over and over again, we have proved this to be wrong.

So, if many humans are irrational, how do we influence behavioral change by using rational advice? This is the million dollar question.

Take nutrition for example. A common statistic in the industry is that 95% of diets fail and most will regain any weight lost during the next 1 to 5 years. Now I know this isn't all behavioral.

Losing weight can be really hard and we can do all the right things and still not make progress.

Regardless, while acknowledging that some people have medical issues or did not hit the thin gene pool lottery, there are many others that could make significant lifestyle changes just by changing a few behaviors. This is true in fitness and personal finance.

This is a fascinating topic to me that would require several articles to really dig into and explore. For now, we'll just acknowledge the fact that changing our behaviors is really hard and we see similar patterns in fitness and personal finance.

Small Wins Equal Big Results

In the personal finance space, compound interest has been called the “eighth wonder of the world”. Investing a relatively small amount of money can compound into huge gains down the line.

Fitness and nutrition have similar compounding effects, especially as we get older. The habits we form when we’re young, such as eating well and working out regularly, make a huge difference over the years. When you skip the candy bar or push through to make it to the gym when you don’t really want to, you’re making an investment in yourself. These small decisions add up to big wins down the road. Don’t get me wrong, I eat candy bars way too often. I’ve probably had five this week, which isn’t great.

I’m now in my late 30s. I’ve noticed that this seems to be the age where you can really start to see who has taken care of themselves over the years and who hasn’t. And this isn’t about body shape or size because much of that is hereditary. What this is about is looking and feeling healthy. The small daily decisions and habits formed over the years compound and you can often visually see those that take good care of their bodies and those who don’t.

There are Factors Outside of Our Control

I know some of this article may come across as being pompous. Many may become defensive and provide very valid reasons for struggling with fitness or personal finance. With everything said above, we need to acknowledge that there are factors outside of our control that influence our daily habits in these areas.

Every year I try to make it to my doctor for a biometric screening. Almost no matter what I do, my cholesterol numbers are higher than normal. This is a hereditary issue that makes it much more difficult to control than other people. Sure, working out and eating better can help lower my cholesterol a bit. But it seems like no matter what I eat or how many times I work out, my numbers are going to be higher than many others.

We all probably have something that is a legitimate hinderance to fitness or personal finance.

An injury can keep us out of the gym for long periods of time. Some of us may have been born with a health-related issue that doesn't allow us to work out a certain way. One of the most frustrating things about fitness and personal finance is we can do everything right and then something completely out of our control derails us.

With finances, there are systematic inequality issues that impact certain groups of people more than others. This is also probably worthy of an article for a different day but for now it's important to at least acknowledge. The research shows that you can take two people with similar education and skills, yet different ethnicity, and one group on average makes less income and has lower net worth than the other. This is a problem and one that needs to continue to change.

What is important is that we try to control what we can and push through other barriers to the extent possible. There is a lot of gray area between hinderances that are legitimate and where we simply make excuses. With that being said, it would be unfair to not acknowledge that there are factors outside of our control that impact our fitness, nutrition, and finances.

Similarities Between Fitness and Personal Finance

The principles above can be applied to many areas besides fitness and personal finance.

Keeping things simple, tracking progress, considering the behavioral side, and making progress by taking small steps can apply to many different areas. At the same time, we have to acknowledge that life isn't always fair and sometimes there are forces out of our control that keep us from reaching our goals.

Regardless, many of the traits that make someone good with money also make someone good with fitness. Something not mentioned above that is a theme throughout this article is delayed gratification. I believe that delayed gratification is one of the keys to success in today's instant gratification world. Saving money, working out when you don't want to, and eating healthy even if it isn't the best tasting makes a huge difference down the line.

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Mark lives in St. Louis, MO with his partner and two children. He holds a Masters Degree in Economics and Finance and has worked in the financial services industry for more than a decade. His blog, Financial Pilgrimage, helps young families pay down debt and live financially free.

The Similarities Between Physical Fitness and Personal Finance originally appeared on Financial Pilgrimage.

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