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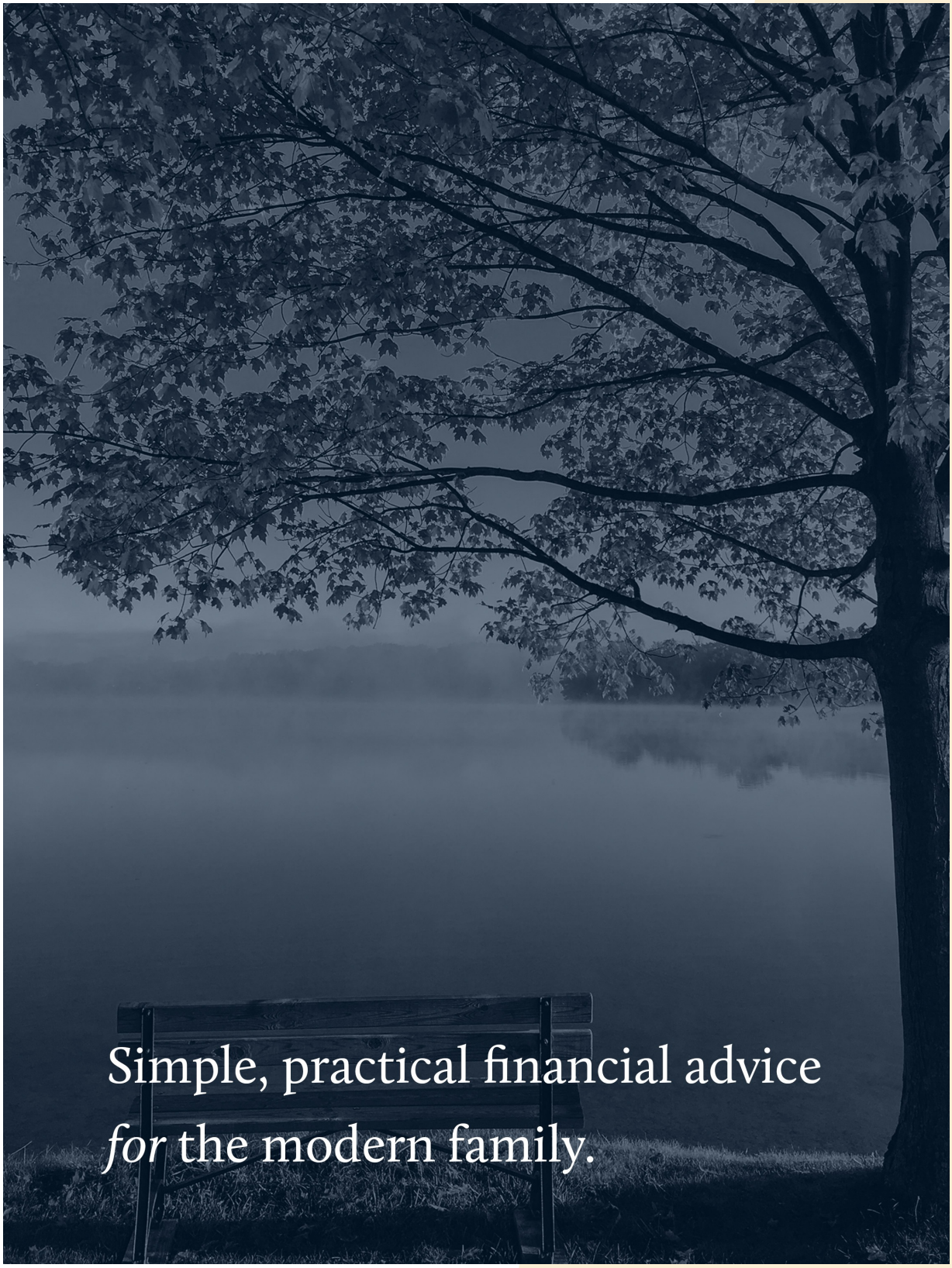
SIMPLEMoney



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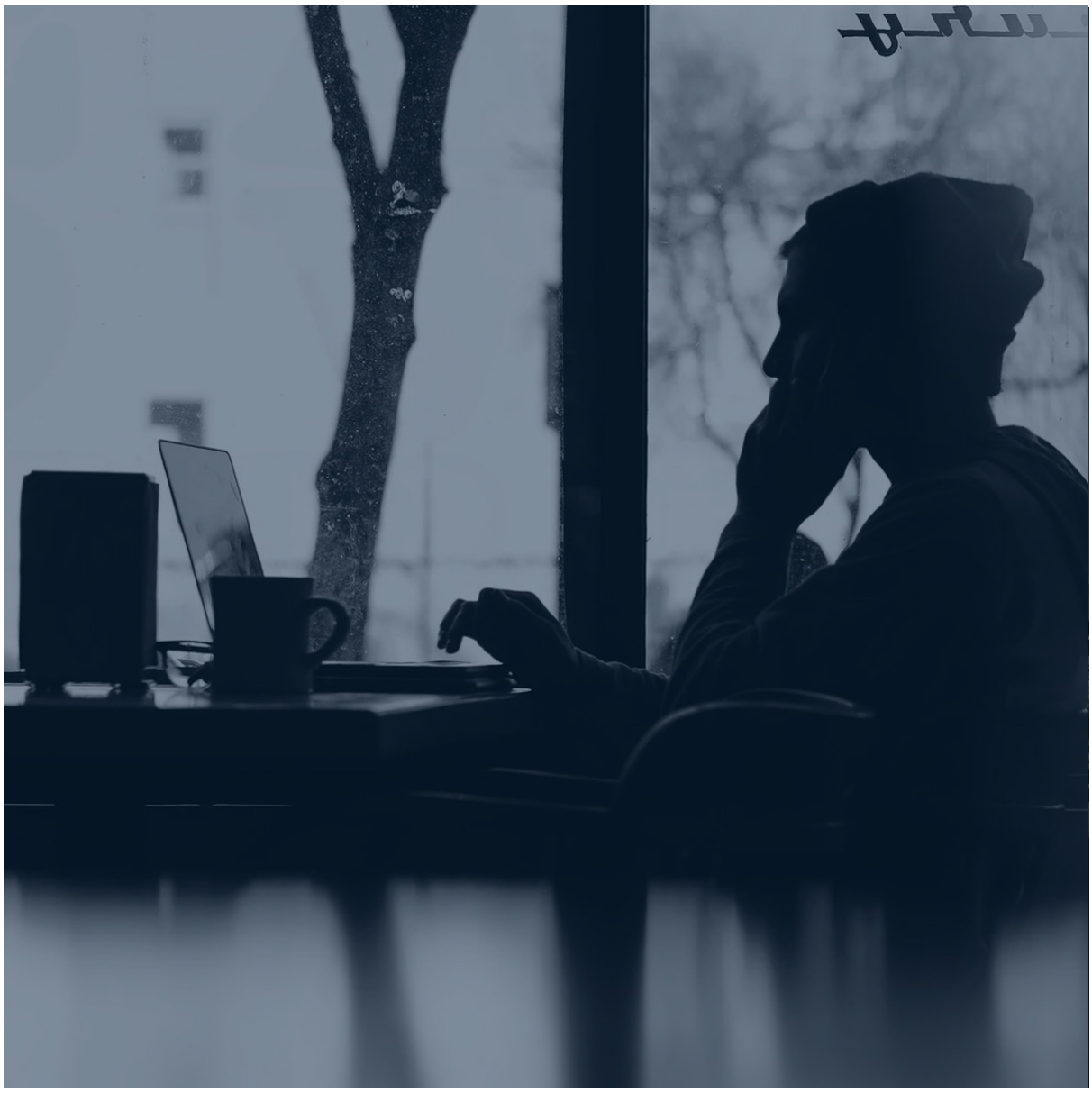
How Taking Care of My Finances Changed My Life

—by Leo Babauta



Looking back on my life a decade ago, I just wasn't taking care of myself.

I was overweight, deeply in debt, a smoker, junk-food addict, stressed out, clutter piling up all around me, I didn't floss ... my life was a mess.

And the solutions were so simple: little acts of self-care that really add up over time.

They're so easy: go for a walk, do a few pushups, meditate for a few minutes, clear a little bit of clutter, take a minute to floss. But I put these things off, avoided even thinking about them, and my problems piled up.

One of the most stressful problem areas was my financial life. I had unpaid bills that I stuffed in a drawer because I didn't want to face them. I had creditors calling, collection agencies whose calls I avoided. I borrowed money from family, even from my kids' piggy banks, just to put food on the table until my next paycheck. I'm not proud of any of this.

I was constantly stressed out, and even though I avoided thinking about the whole mess, it was always on the back of my mind. Some of you know the feeling of desperation that you're not going to make it, that you won't survive until your next paycheck. That's what I was going through. And then there's the feeling of helplessness when you don't think you can get out off the hole you've dug yourself into.

So what happened to turn things around?

I took some small steps of financial self-care:

1. I made a simple list of all my bills and the amounts I owe.

2. I prioritized them in terms of urgency, and made a plan to pay them off. If they were equally urgent, I paid off the smaller ones first just to shrink my list of bills.

3. I started canceling subscriptions and other payments I didn't really need. I eliminated all but the essential.

4. I started saving, even if it was just $20 a paycheck at first.

5. I started regularly reviewing and taking care of my finances (weekly).

6. Eventually I increased my savings and started investing as my debts became paid off.

7. I took on extra jobs to pay off debts faster.

8. I learned how to automate my finances so I didn't have to think about them as much.

It was a slow process, but these small steps of self-care changed my life. Soon my debts became manageable and then became zero! My savings

slowly grew, and then I transitioned to investing in low-fee index funds. My bills came under control, and I developed a fundamental financial safety that has been a keystone to my peace of mind in the last 10 years.

It didn't happen overnight, but it did change. And I've been so much happier ever since.

What can you do if you're in a similar situation? Start to see these simple financial steps as a part of taking care of yourself. Just as you should take care of your hygiene, you should take care of your bills and savings. That doesn't mean you need to think about it every minute of the day, or even every day … just regularly.

Once you start this simple form of self-care, you'll be amazed at the changes you'll see.

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Leo Babauta is the creator of Zen Habits, and writes about simplicity, habits, mindfulness and training with uncertainty. He lives in southern California with his wife and kids, where he eats vegan food, writes, runs, meditates and reads. You can read more about his finances and countless others topics on his website.

What to do With "Extra" Money

—Donna Freedman

Jordanne Wells, blogger at *Wise Money Woman*, once said, “If you know having money in your pocket will make you feel like you want to spend, then don’t have money in your pocket.”

Wells didn’t mean using cash vs. credit/debit, or walking around without any money/plastic. She was referring to having “extra” money, as in spending less than you thought you would.

For example, maybe you budgeted $100 for groceries but the total was only $80 thanks to wise coupon use and some really good sales.

What to do with that $20?

“Put it toward something right now,” Wells says.

As in, *right now*. Don’t wait for the monthly credit card statement, or hesitate to move those bucks into your emergency fund. Do it now, now, now.

“All of those payments just help to get you in that habit of ‘When I have money, I do something (positive) with it,” she says.

She’s no ivory-tower theorist. Her lessons came the hard way. When Wells came to the U.S. from Jamaica to attend college she had zero information on how to handle money. Credit cards were a revelation: “I can charge $50 and I only have to pay $10? Awesome!”

With school expenses and then "work-appropriate" clothing, Wells amassed debt that she couldn't pay in full – and that grew to $30,000 by her early 30s.

Needing to buy a vehicle after a car wreck, she learned that she had "awful" credit; the best car loan she could get was at 11% interest. So she set out to improve her financial life via what she calls the "Debt S.L.A.Y.E.R" method. Wells also wrote an e-book called "*How to Build Credit and Raise Your Credit: Everything You Need to Know to Understand, Build and Maintain Excellent Credit*."

Right now, a lot of folks would *love* to be in the position of having "extra" money. Plenty of people would have liked that opportunity pre-pandemic, too. If you're living from paycheck to paycheck, or even just on very thin margins, the notion of surplus money cluttering up the checking account is something of a pipe dream.

Or maybe it isn't.

Go over your budget with an eye toward Wells' policy: Once the bills are paid, is there even $10 left over? If so, on the day you get paid you should shoot that extra dollar somewhere else.

Another example: If driving just to and from work and the supermarket is now the norm, figure out how much you *haven't* spent on gasoline

and put that money to some kind of good use. Otherwise it'll end up spent some other way.

Here are a few ways to deal with the burden of "extra" money. (I'm being facetious there, in case you weren't sure.) They're listed in order of what I consider to be their importance.

1. Pay off debt faster

Especially credit card debt, which likely has double-digit interest. Paying it off can save you a ton of money. (There's a good example of this down near the end of the post.)

2. Beef up the emergency fund

Some people say you need three to six months' worth of living expenses salted away. That's nice. But it's also unrealistic for some folks.

However, all EFs are wanted and loved. As little as a couple of hundred dollars can cover many emergencies, or at least reduce the amount you wind up having to finance.

Still sounds like a lot? Yes. Yes, it does. But get going anyway. The best time to have started an emergency fund was five years ago. The second-best time is today.

A chapter from my first book is called “Challenge Yourself to Save.” It contains 33 examples of what I call “stealth savings” – simple and/or innovative ways to carve a few dollars here and there out of even the tightest of budgets.

Because I believe so strongly in EFs, I’ve made that chapter available for free as a Google doc. All of those tactics may not work for you, but at least some of them should work for everybody. (Feel free to share the link.)

3. Contribute to retirement

Not everyone is lucky enough to have an employer match. If you’re one of those who does, add the extra money until you’re at least maxing out the match.

No employer match, or no employer fund at all? Put these bonus bucks into a Roth IRA or some other retirement vehicle. Do some research on those terms if they are new to you.

Incidentally, if you don’t work outside the home but have a spouse who does, look into something called a “Spousal IRA.” If you qualify, it lets you save for retirement even if you don’t earn an income.

4. Prepay your holiday spending

Did you know that Christmas is in December this year?

Seriously: A lot of people are shocked – *shocked!* – to find themselves in holiday debt each January. Somehow they forgot that they like to buy presents and make butter spritz cookies every year.

In the immortal words of Yogi Yorgesson, from his best-selling record album:

Oh I yust go nuts at Christmas

On that yolly holiday

When I go in the red like a knucklehead

'Cause I sqvander all my pay

Don't be a knucklehead. Make yourself a plan. Determine how much it'll cost to do presents, special foods and maybe travel (or maybe not, given the current unpleasantness) for whatever holiday(s) you celebrate. Divide that number by 12 and set that amount aside each month.

If you can, that is. Just a few bucks here and there will at least be a head start on the celebrating – especially if you get creative about gifts and

watch for specials on butter, flour and other items you need for holiday cheer.

Right now you have just two months to get going – but better late than *really* late.

5. Stock your pantry

My former MSN Money colleague Liz Weston calls a well-stocked larder "the emergency fund you can eat." Recent pandemic-related shortages of everything from yeast to TP certainly reinforce the notion that having some of everything you need is a good plan.

Make a list of everything you eat/use regularly, including cleaning supplies, paper products and OTC medications. Those with warehouse club memberships can really score, both in terms of large quantities and (generally) lower prices.

If that's not you, maybe you know someone who has a Costco (or whatever) card and will take you shopping? Splitting an order (possibly several ways) can help you answer the question of where you'd stash 36 rolls of paper towels.

(Note: Hiding things in under-bed boxes is an option. If you put the bed up on risers, you'll have that much extra storage space.)

But even just an extra can or two of tuna, box of pasta or bag of lentils will get your stockpile going. Use your extra dollars wisely by buying things on sale. Bonus frugal points if you use coupons for any of this stuff.

And yeah, when you see toilet paper you'd better get a little extra of that as well.

6. Stock other stuff, too

Time to make another list: of non-food items you use regularly and will eventually need to replace. For example:

- Pet items (take advantage of that sale on kibble or cat litter)
- Car stuff, such as windshield washer fluid, antifreeze and oil
- Garden supplies – if you know you're planting vegetables again next year, hit the end-of-season sales this year
- Canning supplies – watch for good deals on lids, jars, bags and containers

Rate them in order of importance, and set out to find the best deals you can. (Pro tip: You might find some or all of these things inexpensively

through yard sales or thrift shops, or for free from a Buy Nothing Facebook group.)

7. Start a pet emergency fund

At some point Fido or Fluffy is going to need to see the doctor. Set aside a few dollars a month (more if possible) so that the vet bill won't be hit quite so hard. Even if you can't pay it all upfront, the pet EF means you won't have to put the entire bill on a credit card. And if the fund is enough to cover the entire cost, you might be able to ask for a discount for paying cash.

8. Spend it on yourself, Part 1

When times are tight – and especially if they're *always* tight – it's easy to put off things like dental exams, new glasses and replacement winter boots. Start an account called "Taking Care of Me" and fund it as much as you can; even if that's just $5 a month, you'll be $60 closer to those new specs by the end of the year.

Remember, those stealth savings tips mentioned earlier can be used to fund self-care, too.

9. Spend it on yourself, Part 2

It really *is* okay to indulge in streaming services or the occasional craft beer. In fact, it's probably a good idea, provided that you've taken care of business first.

A life without any fun or luxury items at all can be very glum indeed. These days people are feeling additional stress because they can't go anywhere and/or are worried about losing their jobs. Add in maybe having to teach your kids at home, trying to keep them amused away from their friends (and much of the rest of the world), and maybe battling them about other aspects of the new austerity (cheaper meals, lower data plans, et al.) and you've got yourself a recipe for stress.

And it doesn't have to break the bank. A new book by your favorite author, once-a-week takeout from your favorite place, or even just a sweet-smelling bath bomb or a really good cupcake can feel incredibly luxurious.

Self-care isn't always free, but a *lack* of self-care can wind up being incredibly costly.

10. Give it away

Remember, these are *extra* dollars. Once you've taken care of life's essentials, you can use those bonus bucks any way you like.

That might be a massage or a double feature (once the movie theaters open back up). But it could also be charitable giving – to a church, cause or charity, or just via a random act of kindness.

It feels good to give. It just does. Try it and see.

Changing the things you can

Some things you can't control – for example, the pandemic taking your job or cutting your hours way back. Or maybe the fact that your adult offspring had to move back home because *their* jobs vanished/shrank. But while you can't change certain things, you *can* change the way you react to them.

Taking any "extra" money and putting it toward a goal is one of the things you can change. While I would never begrudge someone a treat during tough times, some weeks you can – and should – say to yourself, "Yeah, it's only $10 for this [whatever], but how much good could those dollars do somewhere else?"

Never underestimate the power of an extra $10 here and $10 there. Eventually it starts to look like real money.

Here's an example from Category 1 (debt payoff), courtesy of an article I did for Self.inc, "Should I pay off my credit card or save money?":

- Suppose you have a $2,000 credit card balance on a 15% APR card and usually pay $40 a month.
- By the time you zero out the debt you will have paid $1,026 worth of interest.
- But if you raise the monthly $40 payment by $35, you'll pay just $412 total interest.
- **That's a savings of $614**. Think of what you could do with *those* extra dollars.

So use your "extra" money wisely. If you plump up your Emergency Fund (or your pet EF), then the money is there when you need it. When you have a dedicated amount of cash for a special occasion, you'll enjoy it so much more because you won't have to worry how you'll pay for it. And when you feel secure enough to drop a fiver into the food-bank drive, you'll realize just how lucky you are.

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This article was originally posted on Surviving and Thriving. **Donna Freedman** is a full-time freelancer based in Anchorage, Alaska. She has written personal finance columns and blog posts for *MSN Money, Money Talks News, Get Rich Slowly, Experian, Magnify Money, Wallet Joy, The Simple Dollar, Vox, Policy Genius, Twine, Self.inc* and *Wealthy Single Mommy.*

Hedging Yourself

—by Karen Trefzger

Hedging, in finance, is a risk management strategy. It deals with reducing or eliminating uncertainty. For example, if you buy homeowner's insurance, you're hedging yourself against fires, break-ins, or other calamities. Generally, when people hedge, they try to protect themselves against a negative event.

If you live in tornado, hurricane, or blizzard territory, you likely keep at least a few days' worth of non-perishable food, water, batteries, a radio, and other supplies on hand.

Some hedgers adopt a prepper mentality. They stockpile large amounts of survival necessities, along with guns, cash, gasoline, and more.

Having a few extra essentials on hand is probably a good idea, and certainly a means of reducing anxiety in the event of a likely scenario, such as a power outage or an illness.

The zombie apocalypse is pretty improbable, but as we've seen during the COVID-19 pandemic, job loss, food and toilet paper shortages, and the disruption of international supply chains are all too possible.

I think there are additional ways we should prepare ourselves to deal with the difficulties life can bring. Even during a record snowfall or an unexpected injury, we need more resources in hand than food, water, and blankets.

6 Hedges Against Hard Times

1. An emergency fund

Life without an emergency fund is risky. If your car breaks down or your furnace quits, you need money fast. If you don't have an emergency fund, you're forced to borrow or use credit.

You'll gain so much peace of mind if you have $1,000 or so saved in case your refrigerator dies or your child damages a tooth playing basketball.

2. A debt-free goal

Admittedly, this is a tough one. Debt is the enemy of peace. It requires you to use money you earn today to pay for things you bought last month, last year, or even longer ago than that.

Once you're out of debt (except for your home loan), you will be amazed at your feelings of freedom and hope for the future.

Suddenly, you, and not your creditors, control your money. You can save, invest, give more, or work less.

3. An understanding of needs vs. wants

You need food, but you can live on rice, beans, and veggies.

You need shelter, but you don't need major upgrades or renovations.

You need clothing, but you probably already own plenty.

You need transportation, but you don't need foreign travel.

You need to communicate, but you don't need the latest iPhone or multiple streaming services.

In hard times, it helps to know what you need in order to survive, and what you can live without.

4. Strong relationships

Even in an era of social distancing, we still need connections. We need relationships that offer unconditional support.

Build those relationships with your time and attention, your kindness, your generosity, and your listening ear.

Family, friends, neighbors, your church or synagogue, and other clubs or organizations to which you belong and contribute are going to be your lifelines when a crisis hits.

5. Resilience and resourcefulness

Resilience allows us to bounce back when things don't go the way we planned. It helps us learn and adapt rather than giving up under stress.

Resourcefulness allows us to use our skills and strengths to cope with and overcome our problems.

6. An attitude of hope

It's normal in times of hardship and uncertainty to feel worried. It takes self-control to choose to be positive, but it's so much more rewarding than sinking under your fears.

How can you strengthen hope?

- Arm yourself with facts about your situation, not gossip, conjecture, or fear-mongering.
- Don't waste energy looking for someone to blame.
- Control what you can control, rather than fighting the things you can't.
- Encourage yourself. Speak to yourself as you would to a friend.

- Intentionally look for and focus on things that are going right, no matter how small. Write them down in a journal so you can reread them and remind yourself of your blessings.

- Do something to help someone else. Being generous will remind you that you are not without resources.

We can't always prevent bad things from happening, but we can decide how to meet those circumstances. If you don't already have these hedges in place, let COVID-19 inspire you to build them.

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Karen Trefzger is a writer, singer, teacher, wife, mother, and grandmother who has been choosing a simpler life for over 20 years. She is the author of *Minimalism A to Z*, and blogs at MaximumGratitudeMinimalStuff.

Never Regret a Paid Off Debt

—Craig Stephens

Over the years, I've been indebted numerous times for one reason or another — mostly car loans and a few mortgages, but a few personal loans too.

After college, my parents lent me $5,500 to buy a used Mazda. The interest rate was better than a traditional car loan, so I was grateful to take the deal.

But I paid the loan off as fast as I could. I didn't want it hanging over me.

After traveling overseas for 14 months, I bought a brand new car with zero money down and a $221 monthly payment. I paid that 5.5-year loan off in 2.5 years.

Not long ago, we paid off our minivan loan in one big chunk. It was suffocating our cash flow even though the interest rate was just 0.9%. The last payment felt great, and I've sworn off car debt for the rest of my life.

I've had HELOC debt, a second mortgage, short-term loans from the bank of Mom and Dad, and even some minor credit card debt after college.

I paid each debt off early.

I've paid extra mortgage payments and reduced our home loan balances while refinancing too.

Each extra payment was a sacrifice — money from our budget that went to the debts instead of more beer, more stuff, more investing, or more travel.

But you know what? I've never regretted one dime I put toward early debt payments — not one.

Drink the Debt-Free Kool-Aid

Somewhere along the line, I drank the debt-free Kool-Aid. Partly because of something my Dad said about credit cards when I was a teenager.

Before I found podcasts, I had a satellite radio subscription. The only money talk show I could find was *The Dave Ramsey Show*.

Dave's argument for the debt-free lifestyle is so rehearsed and perfected that listeners are hypnotized never to borrow money again.

But math is a constant temptation to reject the debt-free lifestyle.

For example, my bank offered me a 1-year home equity loan at 2.99%. Long-term stock market returns average 9%.

The math told me to take money from the HELOC and put the cash into the stock market.

But I didn't.

If I borrow money at 3% and invest at 9%, and do this successfully over time, I'll be wealthier, albeit with more heartburn.

Isn't that what rich people do? Isn't that what banks, corporations, and private equity firms do too?

Yeah, pretty much. But leveraging to invest involves risk and stress. So I resist.

During a sustained bull market like the one following the financial crisis of 2008-2009, it's easy to forget about the risks of debt and investing.

When I borrow, I always pay the loan off early because the debt makes me uncomfortable.

Being debt-free doesn't make me uncomfortable. It empowers me.

Paid Off Debt Regret

Debt repayment regret is real. I've discussed this with friends who made early payments on low-rate student loans or mortgages, only to wish they'd invested the cash and let the debt ride.

These conversations happen in good times when jobs are plentiful and the stock market is strong.

Over long periods, the math works in favor of keeping debt to term if the interest rate is low.

Stretch a low-interest mortgage (less than 4%) over 30 years and earn 9-10% in the stock market, and the advantage is obvious. Then consider the tax benefit of mortgage interest, and it's even better (though less so after the latest tax reform).

However, 30 years is a long time. Plans change.

I'll be 70-something when our mortgage term ends. I don't expect to be 100% in stocks at that age. My risk appetite will decrease, so my average returns should reduce in exchange for stability. 5%-6% is a more realistic target return when I reach 60-years-old.

If my mortgage rate is 4%, I'd be putting money at risk to earn an extra 1%-2%. While paying down the debt is a risk-free 4% return.

That's a super-low rate. In previous decades, rates were much higher.

Imagine your mortgage rate is 8%. Would you be as eager to risk your money to earn 9-10% from stocks?

My goal to retire by age 55 assumes I'll be debt-free, including the mortgage. I've calculated what it would take to pay it off by then, and it's a hefty extra monthly payment.

Now that I've sold my investment property, I could put some of the proceeds toward our home mortgage.

But that's not at the top of my priority list. I may make small monthly extra payments to reduce the total number of payments and hopefully give me the realistic option to pay it off in one lump sum someday.

In retirement, I'll already have enough recurring payments with health insurance and property taxes, so I'd prefer not to have a mortgage too. But it's a long road to be mortgage-free.

There's a correlation between debt and stress. Now that my investment property mortgage is gone, I feel a huge weight lifted off of my conscience.

The only debt left is our home mortgage.

To truly reach financial freedom, the handcuffs need to come off.

If I regret paying off the mortgage early, I can always go back into debt.

Debt is a Tool and a Vice

Debt is a tool to accelerate building wealth. This is especially true in real estate and business. I used debt for my rental property, and it made me wealthier.

But it must be used strategically to build wealth.

Most people don't think about debt strategically. They use it to buy things they want now instead of waiting to pay cash.

Cars, stuff, a bigger house, education, etc., can all become a **vice** when you over-borrow.

Debt carries burdens that create discomfort in your life.

- The borrower is a servant to the lender; this holds as a tool or vice
- Debt requires recurring payments — money obligations from you to someone else
- Debt causes bankruptcy and epic stress when economic conditions sour
- Debt inhibits cash flow

This is all fine if you're in control of your money and life and borrow conservatively.

Financial nerds pay close attention. The vast majority of people do not.

A paid off debt is one less complication. Who doesn't want a simpler financial life?

Financial problems and stress worsen when debt becomes a thorn in your side. Then a dagger.

Debt can help you build stable wealth if used wisely. However, as long as you owe money, you'll always be indebted to the lender, regardless of total wealth.

Financial freedom and retirement are hard to imagine while still in debt.

Conclusion

I have never regretted a paid off debt.

As much as I respect the math, servicing debt carries emotional baggage for me. Maybe it's because of my desire to retire early or a deeply rooted bias absorbed from my Dad or a radio show host.

There's more than one way to wealth. Some paths are more volatile than others. I've always preferred slow and steady progress because that fits my lifestyle.

I don't work long hours. I get home early to play with my kids, use all my vacation time, and enjoy myself.

Too much debt requires too much attention. So the fewer debt obligations I have, the more I can focus on what's important to me.

Borrowing money to grow wealth can make sense on an elaborate spreadsheet — and that opportunity is ALWAYS available. Borrowing money takes a few clicks, a swipe, or a phone call.

It's a sacrifice to make extra payments every month until a debt is gone, but the reward is empowering.

The older I get, the more I want all of my debts to be gone.

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You can find this article and others on Craig's website *Retire Before Dad*.

Craig Stephens is the founder of *Retire Before Dad*, a personal finance blog about investing to retire at age 55, one year before his dad retired. Craig is a regular contributor to U.S. News & World Report, and

his writing is featured on Business Insider, Seeking Alpha, and Yahoo! Finance. He holds a finance degree from Michigan State University.

Life-Giving Truths About Living Simply And Saving Money

—by Joshua Becker

People have set out to more remote places of the world, built homes of their own, and lived off the land. They've followed the sun—up at dawn, sleep at dark.

Our ancestors lived simply, by default.

Nowadays, however, people are challenged to live this way in a time of great technological advancement. Without wholly removing themselves from the world around them — their friends, family, workplaces, and devices — people are looking for a life, simplified.

Amidst material abundance and availability, our lives can sometimes look quite foreign from the homesteaders of yesteryear.

Today, intentional living is even more necessary. And in a world of increasing complexity, it is becoming more and more desired.

Here are Five Truths You Can Use to Save Money and Live Simply:

1. You can't take it with you.

You've probably heard the truism "you can't take it with you." Or, perhaps you've heard "you only live once." Both phrases seem to suggest that you should spend your money with little regard for the

future—because you could be gone tomorrow. These sayings oftentimes can encourage consumption, spending, and debt.

Instead, let's consider how we can use these statements to live simply.

If we cannot take something with us, should we lust after it? Should we go into debt to buy it? Should we spend countless hours maintaining it?

To live simply, we should adopt a rental philosophy for the goods we purchase. From this standpoint, we are temporary holders to the many material possessions we store. And not a thing we own will be ours after we pass. So, what's important given this truth?

2. The most frugal or greenest product is the one you didn't buy.

Over the last decade, people have been quick to embrace "green" products such as LED lightbulbs and hybrid vehicles. Some of these advancements really do cut down on energy bills and emissions.

But many businesses have responded by using "greenwashed" marketing to confuse and appeal to more consumers. A shocking number of products are now "environmentally friendly" without any certifying body to confirm or standardize what that even means.

"Going green" has been coopted by corporations.

The kindest decision for your wallet or the environment usually isn't marketed in magazines or on product packaging. Whether you're looking to save money, live simply, or be greener, there's a simple rule you should follow: the cheapest or most environmentally friendly product is the one you didn't buy.

3. No individual product can make you a minimalist.

These headlines should frighten you: "Get This Unique Minimalist Watch While You Still Can" or "The Best Gifts For the Minimalist In You." They are laced with affiliate links and goods that could occupy more space in your life and further empty your bank account.

What the writers are actually saying is, "Here's another item that looks cool and you can spend money on."

Similarly, stores that sell containers and organizational tools cannot make you a minimalist. They can help you spend money, hide clutter, and manipulate the appearance of your home. But the products contained therein require consistent maintenance, care, and careful organizational efforts.

The problem remains when we buy more to become simpler. Organization can help, but minimalism always comes from less stuff, not more. It is better to de-own, than merely reorganize.

4. The best gifts don't take up room in your home.

As a father, I recognize my children sometimes want gifts. And when holidays and birthdays come around, I cherish opportunities to make them smile.

I also recognize my inner values.

I want to be kind, receptive, and understanding to my family, and I want to give the gift of my attention to them. When my family started letting go of extraneous possessions nine years ago, I was better able to be there for them. I was a better listener, and could spend more time focused on their needs. I started realizing the importance of giving gifts they would never forget.

My friends know that the best gift they could ever give me is their friendship. That never costs a dime or gets old.

5. Material possessions never provide lasting happiness.

Endless research has found that material goods and purchases rarely provide lasting happiness. Buy the Corvette today, and you'll get used to it. The shine and sheen will wear off. Then, the insurance payments, gas, maintenance/repair prices, and other burdens come into focus.

Wellness comes from purchases that lead to stories, experiences, and help for others.

My family is taking a couple week vacation to see family. While we've tried to save money, it'll still cost a couple thousand dollars. Similarly, I've poured sweat and time into creating The Hope Effect, which is a non-profit organization changing how the world cares for orphans.

Every dollar spent in these areas are deeply meaningful for me. I carry these moments and experiences, not things.

We live in a time of always-on Internet, 24/7 business hours, and credit cards that can allow for purchases despite our budgets. The consequences are readily evident: the average American has over $16,000 in debt.

Living simply can be our way out. By realizing these five truths, we can begin to focus again on what's more important.

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7 Poor Financial Tendencies That Destroy Us

—by Todd Christensen

Money seems so cold, lifeless, and hard, whereas the human touch can provide warmth, softness, and even caring. So why does combining human nature with money so often lead to disaster and terrible choices?

Between 60% and 80% of American households are living paycheck-to-paycheck in one of the most affluent countries in the world (the US comes in 12th behind the likes of Switzerland, Luxembourg, the UAE, Macao, and Qatar). With more than 17M millionaires, the US is home to 41% of the world's millionaires. What challenges have these 17M adults overcome that the rest of us still face? Human nature can shed some light on these questions.

Why are humans so naturally bad at managing money?

Human nature leads us to live in survival mode, spending resources now rather than waiting for tomorrow, blending into our social groups, seeking show rather than substance, fleeing at the first sign of financial danger, and trusting others in unfamiliar matters.

Healthy financial behaviors lead to short-term stability (no debt, no collections, emergency savings) as well as long-term security (investment accounts, funded retirement plans, real estate ownership, etc.). With so much to gain from overcoming human tendencies, we ironically spend more time and effort discussing principles and important ideas rather than practical steps to actually combat the

opposing nature we must overcome in order to create and preserve wealth.

1. The more you earn, the more you spend.

Ask any individual going through financial troubles what the answer to her or his problems are, and you will almost always hear the same response: “I just need more money.”

Pose a similar fill-in-the-blank statement to any group of adults (or teens, for that matter), and you will get the same answer every time: “The more money you earn, the more money you _____?” Answer: “Spend.”

On an individual level, humans think that just having more money would solve all their financial problems. This explains why so many people play the lottery, plunking down $5 to $50 a week (often 2% to 15% of their income) for tickets to this empty financial dream.

On a group level, though, we understand and accept this truism: “The more we earn, the more we spend.” Of course, we accept it as a general rule for other people, but we struggle to believe that it would ever apply to us.

How this tendency hurts us

This tendency affects all but those who can oppose it at every income level. If you spend every penny every month at $15 an hour or at $30 an hour, you will likely spend every penny at $60 an hour or more.

Human nature from our long-ago history developed an impulse to enjoy what we have today because we might not have it tomorrow. Without the conscientious effort to fight this impulse, we will continue to promptly spend every dollar that comes our way.

You spend what you have, living for today and not for tomorrow.

Examples

How else can we explain the large percentage of multi-million-dollar lottery winners who end up back where they were originally, or worse, within a matter of just a few years? Many continue to gamble at casinos, losing much of their new-found wealth the same way they won it.

Practical steps to take and habits to develop

Even at low and modest incomes, make a commitment to yourself to save something, anything, from every source of income. Even if it's $1 a month, not only can you claim to be a saver, but you can face yourself in the mirror knowing you are not forced to live paycheck-to-paycheck.

2. You care too much what others think

The idiom “Keeping up with the Joneses” exists in English-speaking countries far beyond US borders. It describes our tendency to benchmark our standard of living on the perceived standard of living of our neighbors, friends, family members, coworkers, and other people we interact with. This usually stems from easily noticeable items, including homes, jewelry, vehicles, fashionable clothing, and vacations.

How this tendency hurts us

This tendency leads to financial problems based on two poorly conceived notions.

First, we have no real concept of the financial facts of others. They may take vacations every month, but they may also finance those vacations with high-interest credit card debt. They may have a nice home and always have a nice vehicle parked in the driveway, but their expensive leases and high mortgage might mean they struggle to pay their utilities or replace a piece of furniture when necessary.

Additionally, this human tendency fails to take into account our own financial resources. Basing our lifestyle expenses on the purchases and financial choices of others usually leads to a mismatch between our own spending and our income. This inevitably leads to living on the

verge of a financial crisis because we can't save anything from month to month.

Practical steps to take and habits to develop

The best defense against the financial dangers of keeping up with the Joneses involves the creation and implementation of a realistic spending plan. To develop such a plan, make note of how much money you have coming into the household each month. Then, note all possible expenses you might face throughout the month, prioritizing them as 1) survival, 2) critical convenience, 3) lifestyle choices, 4) trivial, and 5) hopes and wishes. Start adding potential costs to each expense until you have a total possible spending amount for the month. If the potential spending exceeds your income, begin eliminating expenses listed with a priority #5. If you still need to cut expenses, eliminate those with a priority #4, and so on, until you have "balanced" your spending plan.

With this plan in place, each time you find yourself comparing your lifestyle with that of the Joneses, you can compare the tempting purchase to your priorities, seeing where it comes in your own list, not where it comes on someone else's priorities.

3. You are the financial average of your social network

You may recognize this tendency, related to the Joneses principle above, in posts that claim we are the average of the five closest friends we spend time with. Most such articles address this principle from the point of view that we will physically weigh an average of our five closest friends or that we are as likely to smoke as the average of our five closest friends.

In reality, we achieve and maintain the average health and finances of much more than just our five closest friends. While each successive connection diminishes in degree, our first-level, second-level, and even third-level connections influence our financial and health choices to a great measure.

We are social creatures, having depended upon our tribes and villages over millennia to provide protection and sustenance. So, when we see others within our own circles or the circles of those connected to our own, we find their behavior more acceptable and even more inimitable, becoming more likely ourselves to dress like, speak like, act like, and behave like those within three social degrees of ourselves.

How this tendency hurts us

This tendency can exert both positive and negative influences on us. It can break down walls built of ignorance and bigotry by introducing us to

types of people we previously esteemed poorly, whether for their place of origin, their profession, their lifestyles, their religion, or otherwise.

On the other hand, this tendency can lead us to overspend when we frequent social groups with lifestyles far above or even below our own.

Examples

Examples usually portray someone getting involved in social circles above their financial means. However, tendency can also induce people who develop poor financial habits based on the spending behaviors of social circles with incomes much lower than their own. Strangely enough, some of these influences push you to the same negative outcomes.

If your social circle includes many people of a net worth far above your own, especially circles that focus on consumer possessions, you might feel pressure to drive a fancier car to feel more comfortable with the group. You might be surprised that not all wealthy social circles value the purchase and consumption of vehicles, homes, and other status symbols. In fact, as The Millionaire Next Door makes clear, most households of high net worth place little value on using possessions to impress others.

On the other extreme, some low-income social circles focus on owning nice vehicles as well. You might see this in some communities or

neighborhoods where homes are on the verge of falling apart. Despite the poor housing conditions and poverty, you might find late-model Cadillacs and Camaros parked on the streets. Similarly, as the first tendency of human nature noted above indicates, when people struggle financially from day-to-day, they often strive to procure a nice albeit small asset like a vehicle rather than a large long-term asset like a home because it's easier.

Practical steps to take and habits to develop

Since this human tendency influences us based on the values of others (we buy nice vehicles because others value nice vehicles), you can counter this influence by first making a list of your own financial priorities. These should not include dollar amounts but, instead, achievements and activities that you want in your life that will require funding. They might involve education, travel, time with family, being able to volunteer.

Most importantly, this list must feel meaningful to you. Once you have it written down, you can take any future pressure to spend on things that matter to others and see if it fits within your own list. If it does, great! If not, you will have an easier time dismissing the temptation.

4. You crave riches rather than wealth

Because we more easily see riches (possessions, consumer goods, etc.) than wealth (investments, bank accounts, businesses owned), we too easily place them higher on our list of wants.

How this tendency hurts us

That's an easy one. Riches involve spending money while wealth involves saving and investing it. Spending is easy. You see something you want, and you buy it. That is, of course, if you have the money for it. That's the rub. Living rich requires a constant flow of cash, which generally means you must continuously work more and more hours to afford more and more expensive possessions.

All the while, the time required to earn money for the accumulation of possessions means you will have less time to spend on your true priorities you have listed previously.

Examples

Riches clearly include luxury vehicles, sports cars, and even top-of-the-line trucks used for commuting and not heavy-duty work. A rich life includes much of haute couture, homes far larger than necessary, and vacations taken to foreign countries, especially when one has not even explored the national and state parks in his or her own back yard.

Oddly enough, riches can even include movements like standard Financial Independent/Retire Early (FI/RE) that ironically focuses on living frugally in order to save a million dollars or more to allow for early retirement. Examples abound of people who have achieved this incredible milestone while still in their 20s or 30s yet feel empty. Chasing the $1M savings milestone exemplifies a rich life, but not wealth. Riches have no personal meaning. What you can do with that $1M, that is what will have meaning to you. What would you do with that $1M? That's wealth.

Practical steps to take and habits to develop

Keep track of two numbers and watch them for patterns. First, calculate your net worth by adding your assets (cash accounts, property, vehicles, investments, business ownership, etc.). Then, subtract your liabilities (all debts, from mortgage and student loans to car loans to store cards and credit cards). If this number does not consistently increase month after month, consider what you might be doing that creates negative pressure on your net worth.

Next, track your monthly expenses using a form like the one from Money Fit here. You want to make sure your monthly expenses stay below your income, thus freeing up cash to save and invest.

5. FOMO leads to purchasing the newest and most expensive consumer items

The fear of missing out makes up just one subset of a whole host of decisions and choices we make based on fear rather than on logic or rationality. From consumer expenses and lifestyle decisions to political choices, eating behavior, and gossip magazine purchase, we don't like the idea of being left out of group trends.

For villagers and tribe members struggling to survive, being left out meant being left behind or left alone. Life alone would become much more difficult and precarious.

Fear still drives many consumer decisions today.

How this tendency hurts us

The problem with fear-based decisions, especially when they involve money, has to do with our lack of information. Like gazelles scattering before a lion, we don't look where we are going, so long as it's away from the perceived danger.

When told that if we don't make this purchase or buy that product we will miss out, we buy first, and only later think about whether we can afford it.

Examples

The Apple company provides a perfect example of how a business takes advantage of this human tendency. Do you remember a time (2007-2016) when new phone versions would come out every year or two? Fans of that particular phone would camp out on the store's sidewalk for a week to be among the first to get the new version. These fans (remember, this is short for fanatic) did not want to be the last one to get a new phone or have to wait a month.

Of course, the best example of businesses preying on FOMO involves a simple widget located at the top of many retail websites. It might say, "Just 4 left" inducing a fear based on scarcity, or it might show a countdown and say, "This discount is only available for another 3 minutes." This second marketing trap activates our fear of losing something we have. Even though we haven't yet made the purchase, this scare tactic makes us think we own the discount and are about to lose it.

Practical steps to take and habits to develop

Following the information in the previous section, you have created a list of your most important financial priorities. Condense that list and transfer it to a business card-sized piece of paper that you then insert into your wallet in front of your cash, your debit card and your credit card(s). This forces you to confront your priorities when some marketer

kicks your fear into gear. Look over your priorities prior to making the purchase and ensure it fits into your most important goals.

6. You run from perceived danger to perceived security

As described in the FOMO tendency above, we run from what scares us. We have no specific heading other than sticking with the crowd and putting distance between ourselves and the origin of our fear.

When it comes to our finances, the more informed we become, the less scary they are. This can make a difference of tens of thousands of dollars when our environment turns dark and gloomy.

Consider downturns in the market. Investors who have little understanding of their 401Ks or IRAs will listen to anyone talking about the market and follow their advice. This leads to the investor selling their stocks and other investments when the market values plunge. Later, they purchase stocks back after their values have increased.

How this tendency hurts us

This is the exact opposite of what a smart and rational investor does. You are supposed to buy low and sell high, but market panic leads to people selling low then waiting for the market recovery to buy again when prices are high. Buy high sell low sounds like a poor strategy because it is. No wonder so many consumers fear investing.

Examples

Besides the above example of buying stocks high and selling them low in market plunges, flights of fear can also involve our employment. Consider the employee who has a disagreement with his or her supervisor and chooses to quit rather than work out a compromise or work through their differences. The employee considers their job with floccinaucinihilipilification (esteeming it as valueless – I had to use this word at least once in my professional life) because fear drives her or him away from the perceived threat of the supervisor.

Fearfully running from perceived danger to the nearest shelter (e.g. leaving a secure, income-producing job because of hurt feelings rather than addressing the hurt feelings directly) will likely lead to destabilized household finances and away from an opportunity to grow professionally, personally, and socially by dealing with the source of concern.

Practical steps to take and habits to develop

Commit now that during the next market downturn (and there WILL be another market downturn in your life since they occur frequently), you will make a rational choice rather than react with fear. Commit to yourself now that the next time a difficult situation confronts you at work or in your career, that you will face it and grow from it rather than allow it to chase you away from opportunities for progress.

7. We trust experts to tell us what we can afford

When it comes to finance, because so few take the time to learn how the stock market, credit scores, or even credit cards work, we often rely on so-called experts to guide us in our money management choices or even to make those decisions for us.

How this tendency hurts us

Relying on experts without informing ourselves regarding the issue at hand often means we don't even know the difference between a purported expert, a charlatan, or worse, a scammer. Placing our financial decisions in the hands of someone who lacks credentials, experience, and skill will almost certainly lead to financial loss.

Examples

Consider consumers preparing for the purchase of a home. When they head to a lender to qualify for the mortgage, they can place themselves in financial peril if they haven't informed themselves of their own financial situation. Too often, prospective borrowers complete a loan application and ask the loan officer to qualify them for the largest possible loan the financial institution will approve. The consumer, instead, should first understand how much of a monthly payment she or he can afford, not accept the maximum payment set by the lender.

Otherwise, such a payment, while approved by the lender, might overwhelm the borrower's monthly budget.

Similarly, if an investor relies completely on a financial advisor to care for his or her retirement plan, that consumer has turned over all critical decisions to someone who may not actually have his or her best interest in mind. In fact, without proper education, the consumer might not even understand the difference between a financial advisor who sells insurance products, one who provides advice based on a straight fee (least biased), and one who offers guidance based on commission. Choosing the wrong expert could cost the consumer tens or even hundreds of thousands of dollars in lost earnings over several decades.

Practical steps to take and habits to develop

At the very least, before meeting with an expert, from a loan officer to a financial advisor to a credit counselor to an insurance agency, do an internet search for "important questions to ask a…" followed by the expert's title or job description. Doing such a search for "important questions to ask a financial advisor" results in lists of 20 questions, 17 questions, 9 questions, 10 questions, 15 questions, and more to ask your advisor. Sometimes, just knowing the questions to ask opens you up to learning about a topic.

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This article was originally posted on Money Fit.

Author and public speaker Todd Christensen, AFC, MIM, MA, as Education Manager at Money Fit by DRS promotes individual financial responsibility and household financial stability in his writings and conference presentations. In 2014, he published *Everyday Money for Everyday People*. Money Fit offers debt management programs nationwide to help consumers establish a solid financial future by securing more favorable repayment terms with their current creditors.

10 Unconventional Money Rules to Live a Richer Life

—by Nick Loper

We all live by a set of unwritten “money rules.”

These guide the decisions we make on how we spend, save, earn, and invest.

But are your rules really serving you?

Let’s look at 10 “unconventional” money rules. These are suggestions that hopefully spark some introspection and conversation.

Because the “conventional” wisdom clearly isn’t working for a whole lot of people!

These rules were compiled alongside Rich Jones, the host of the award-winning Paychecks and Balances podcast, which is all about helping you navigate your finances and career.

Together, we have developed 10 “unconventional” money rules to live a richer life:

1. Sometimes Your Job Is Your Best Side Hustle

If you’re in a position where you’re earning hundreds of dollars an hour for your day job or you have the ability to pick up extra shifts, it might make sense to just bill more hours at your job.

This is the position Rich is in himself. He would like to make his side hustle his full-time income in the future, but he likes his day job and is happy to use it for “investment income” to finance his side hustle.

He also finds this is the situation a lot of other people he meets are in. Especially those in Silicon Valley where he works and salaries are high.

“I generally believe that everybody doesn’t need to be an entrepreneur. There are a lot of people who are really enjoying their careers,” said Rich.

There are 3 traditional paths to financial independence or early retirement:

1. The entrepreneurial path: building your own business or generating your own income

2. Real estate: building up cash flow through rental properties

3. The paper assets path: live lean, invest the difference, let compound interest take effect

For someone with a high-paying job, traditional investing might be the fastest option — if you can avoid the lifestyle creep that often comes with a high salary.

2. Sometimes the Perks and Benefits Are Worth More Than the Salary

The dollar amount of a salary is important, for obvious reasons. But Rich said sometimes the perks and benefits can make a huge difference if you're able to take advantage of them.

Some of the perks he's talking about are; free breakfast, lunch, and dinner on-site, health benefits, free gym facilities, access to financial coaching, childcare, etc. All that can add up to a lot of free money you're not spending elsewhere!

Rich lost one of these perks recently, and he's noticed it on his bottom line. He was eating most of his meals at work, however since being forced to work from home due to the pandemic he's out a few hundred bucks a month.

3. Not All Dollars Are Equal

This one reminded me of an old Facebook post that Mike Newton made, which said something like, "Is it weird I'm more excited about making $5 passively than I am about making $5000 actively?"

I know that I value the dollar I directly worked for more than the one I earned "passively." Rich feels the same way, too.

Rich said he did a consulting gig a while ago helping someone get their podcast launched. He put the money he received into an account and hasn't touched it since.

"I spent so much time working on that project and really putting my effort in on it, that I just want that money to sit there. I think twice about spending out of that account," Rich told me.

He also said he feels a lot more excited about making affiliate commissions, even if it's 5 bucks.

"There's something about the fact that I woke up and this money was in my account," Rich said. It's a feeling all affiliate marketers have felt, despite a dollar still being a dollar.

4. Buying Isn't Always Better Than Renting

There is a misconception that buying is always a better decision financially than renting. This isn't always the case, and Rich and I are both renters for this reason.

One of the reasons he's renting is because the average home price where he lives is in the low millions. But another reason is that buying "doesn't fit" his lifestyle either.

Rich wants the flexibility to be able to move if he wants, even if that means breaking a lease. Which will be less expensive than selling up and buying again when he moves.

There's a cool calculator on the New York Times if you want to work out if you'd be better off renting or buying a home. It takes into account the cost of the home, how long you intend to stay there, and tons of other details.

Something else to also factor in, if you're working a day job and busy with your side hustle on evenings and weekends - you don't have to spend your time and money doing home improvements if you're renting.

5. The So-Called "Best" Financial Decision Might Not Be Right for You

You have to be careful listening to the "best" financial advice, as it might not always be the right advice for you.

"Personal finance is personal," Rich explained.

An example of this is whether or not you should pay off your mortgage, or invest that cash instead. The thought of being debt-free is great, but with most mortgages being around 3%, is it really the best use of your money?

6. Luxury Doesn't Have To Be Expensive

Growing up, I was conditioned to think "luxury" meant certain brands, fancy hotels, high-end appliances, and so on.

I've learned since then, however, that luxury doesn't always have to be expensive.

There's a quote in *Tools of Titans* by Tim Ferriss that really stood out to me: "Luxury to me is feeling unrushed."

Rich agreed with me on this. He admitted he likes nice things, but looks at luxury as being smarter with his time and money, not spending money on expensive brands.

An example he gave is that he pays more to live in a managed apartment complex with newer appliances to avoid the headaches he's had with previous apartments.

He also chose an apartment that was closer to his place of work. This was saving him 20 hours a month in commuting time, which is 20 hours more he could spend working on his business.

That's a luxury that's hard to put a price on.

7. Free Is Good, but Convenience Might Be Better

Rich uses an app called Digit. This is a savings app that uses AI to find opportunities to save you a few dollars here and there.

The app then moves that money into another account to save it for you, often without you even noticing. Rich said he's found as much as $2,000 in his savings account while using the app, without even noticing the money was "missing".

It was free for a while but now costs $2.99/mo. Rich said there was an outcry from users when the fee was implemented, but knowing that simply using the app saves him more than $2.99 per month, it's an easy decision for him.

8. If You Have a Car Payment, You Bought Too Much Car

Don't finance a depreciating asset! Unless you're on zero percent interest note, I think you bought too much car. Rich admitted he financed a car before, but he knew he was going to pay it off well in advance.

Rich explained that growing up he saw his parents building up debt and making minimum credit card payments. So, he started out doing the same when he was younger.

He's at a different stage in his life now though. Rich said if he buys a new car, he will only do so when he can pay cash.

"I don't want any debt at this point in my life, or in the near future," Rich told me.

9. The Price of Your Car Shouldn't Be More Than Your Monthly Income

Unless you're using your car for work or to impress clients, it's just transportation. You can get a perfectly nice and reliable vehicle for a price way less than a new car.

Let someone else have the steepest part of that depreciation curve.

10. Saving Won't Make You Wealthy

Putting all your savings into a high yield savings account isn't going to give you the return it did years ago.

Saving a few bucks on a purchase, extreme couponing, and skipping lattes also are not going to help you generate wealth.

What's going to generate wealth is additional income you make through your side hustle, investing, and other avenues, Rich explained.

It's about finding a balance. You need to be happy, while not sweating the small stuff.

The bottom line, however, is that there is a limit to how much you can save, while your earning potential is limitless.

While on this topic, Rich said he always recommends people have at least a months' worth of expenses in their checking account as an emergency fund.

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Nick Loper is the Chief Side Hustler at Side Hustle Nation. He is an entrepreneur involved in a variety of projects. Nick used to work full-time for a giant corporation, but built his business nights and weekends, and offers tips and lessons for others to do the same. You can find this article and more on Side Hustle Nation.