BUT FIRST, SAVE 10

The One Simple Money Move That Will Change Your Life

ladysplaining MONEY

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et alia

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INTRODUCTION

Will you become a saver or a spender?

Many (perhaps most) women look back on their working lives and realize that their paycheck was used to pay many others, through taxes to the government, premiums to the insurance company, fees to the parking garage, and the automatic draft to the gym. The hard-earned net paycheck then went to housing payments, car payments, monthly subscriptions, cell phone payments, and the like. All that money was paid to other people with the hope or expectation that maybe some would be left over, that perhaps some could be saved after everyone got paid. But month after month, year after year, pay raise after pay raise, nothing ever made it through the funnel. After decades, these hard working people wake up to discover that despite so many years of trying to do everything right, there is nothing left for freedom and flexibility, little left for retirement.

In the end, will you have to live with the realization that everyone got paid out of your paycheck except you? Or instead, might you consider setting a different course for yourself by paying yourself first? You may already have your answer or you may still need convincing. Either way, this book is your why and how.

As I'm writing this introduction, it is the spring of 2020, and we're in the midst of a global pandemic. On a cataclysmic scale, it is changing everything—from the world economy to our personal lives. It is transforming what we took for granted just months before. While it seems like the virus's spread is halting practically every part of our lives, if we look closely, it is also offering us an opportunity that we rarely have glaring at us in such rich technicolor.

Let's step outside of ourselves for a moment and into a fortune teller's booth, where she shows us this global pandemic from an imaginary distance. Her crystal ball offers a glimpse of the events that we are experiencing now as well as a possible future. Many people lost their jobs, their homes, and their ability to put food on the table. Most lived in fear of mortal danger for themselves and those they loved. They couldn't stop reading the news to reveal the next calamity and couldn't stop checking their plummeting 401(k) numbers. Some people, the lucky ones, got paid to stay home and work, even though not much work was happening. On one hand, it felt like doom, but at the same time, certain parts of life began to change for the better. They didn't have to set an alarm clock. The morning sprint was replaced by a lingering cup of coffee, sipped while gazing at the birds, whose feathers and habits they learned by heart. They planted that garden they'd always wanted to start. They read books. They called up that friend they hadn't spoken to in years. They dusted off the sewing machine and made masks for frontline workers. They heard a voice inside that said slowing down and working toward the common good *felt* good, and they vowed to take the good parts with them, come what may.

The fortune teller's hand shifts and points to the future, a world in which the unprecedented social distancing is over and people emerge once more. They are called back in to work—back to the normal schedule. Only this time, they remember how it felt to be awash in those good feelings, and they don't want to go back to normal. Suddenly awakened to the value and beauty of this one life they have to live and panicked by the notion that it could be ripped away, by outside forces totally beyond their control, they vow to do what *is* in their control—they slash expenses, pay down student loan debt, don't buy houses they'd considered, find realtors to help them get their oversized homes on the market, and downsize their luxury cars. They take years off to finally clinch their dreams to write books, launch tech startups, or start bakeries. Deep within their bones, the people now know that nothing, no material possession, is worth trading something far more important—their time.

The crystal ball goes dark, but I hope you'll allow the impression to remain.

We are in the middle of this terrible, extraordinary moment, and there's no predicting what will happen, but this pandemic could be the catalyst that changes the generational rhythm, the seismic shift that leads countless among us to jump off the hedonic treadmill and walk toward designing our own lives instead. What if all it takes to step into that dream is dipping into our courage and starting a pile of cash?

In fact, what if you decide now never to hop on the treadmill in the first place? What if you emerge through your 20s with education and training to discover that your real source of power is the pile of cash that enables you to put your education and training to work as you pursue your deepest life dreams? If Jason Zweig is right, and I think he is, "[i]n the end, living a rich life depends less on how much you own than on how much you do, what you stand for, and how fully you reach your own potential."[1] A pile of cash gives you the freedom of choice, the freedom to walk away, the freedom to live life on your own terms. Or, as JL Collins so simply describes it, "Money can buy many things, but nothing more valuable than your freedom."[2]

So I'll ask again: Will you become a saver or a spender?

SPENDER OR SAVER: HOW WILL YOU WRITE YOUR LIFE STORY?

> "While money has no intrinsic reality, our life energy does—at least to us . . . . It is precious because it is limited and irretrievable and because our choices about how we use it express the meaning and purpose of our time here on earth."
> — Vicki Robin[3]

I want you to become a saver. Right now. You've already taken the first step by opening this book. Maybe you feel responsible, hopeful, or even excited. Remember this feeling, because the journey of being a saver will likely bring just as much satisfaction as the moment you wake up with your first $1,000 saved, and continue with your first $10,000 and $100,000. Do these numbers sound big? We're about to make them possible, even probable, and thoroughly enjoy ourselves while we do it. In *The Happiness Hypothesis,* Jonathan Haidt says, "Set for yourself any goal you want. Most of the pleasure will be had along the way . . . The final moment of success is often no more thrilling than the relief of taking off a heavy backpack at the end of a long hike."[4]

To demonstrate the pleasure that is possible and more deeply teach these concepts, we are going to walk the journey of a woman named Olivia. She is a composite character, representative of many young people I have spoken with about their money in my role as financial advisor and also reflective of statistical averages for women in her age group. If she is not representative of you, that's entirely okay. Please don't let those wonderful differences keep you from learning from her. By applying the book's concepts to Olivia's life, you will be better able to apply them to your own.

Now, meet Olivia. This 23-year-old graduates college with $50,000 in student loan debt, gets an exciting new job making $45,000, and then moves back in with her parents to pay off that debt, only to find herself neck-deep in credit cards from two large graduation trips and a shopping spree for work clothes. Don't forget the brand new, hip Subaru, the car of her dreams. She takes on a $500 car payment co-signed by her parents at 12% interest. She makes these decisions knowing she is about to make more money than she has ever had in her life.

When her paycheck arrives, it doesn't amount to nearly as much as she imagined. She panics, hoping it will somehow be better next month. But it isn't.

After all those credit card and car payments, there isn't much left. Olivia is wondering how she will pay the student loan payments when the grace period ends in a few months. It is apparent that she will never be able to get her own apartment. And, no, she has not signed up for the company retirement plan, wondering, *How am I supposed to think about saving for retirement in my 20s when I have student loans and a car payment?* Alarmed by her situation, too embarrassed to tell her parents or friends, she goes online to sell her car. Then, she discovers that what she can get for it is less than what she signed up to pay. The car is underwater. To walk away would cost $7,000 out of pocket.

Olivia is 23 and broke and seems to be sentenced to being broke for a long time. She is sad, scared, and stressed. She is ashamed. The hope she felt while walking across the stage at her college graduation has vanished.

Growing up, no one sat down with Olivia to discuss money. Her parents bought her nice things, which she was grateful for. But they never explained *how* they bought things large or small for themselves, *how* they afforded them, nor *how much* (if any) they had in retirement. Somehow, Olivia absorbed the message that she wasn't supposed to ask. When she took on the student loan debt, no one explained to her what it would mean, what kind of sacrifice she would have to make for her future self to afford it; she understood only what she would gain from the loan, not what she would lose.

Let's break it down. The only thing she was ever taught in life was consumption. Not saving. As Vicki Robin describes our modern relationship to money, "We project onto money the capacity to fulfill our fantasies, allay our fears, soothe our pain." Rather than living life, she makes the case that "we consume it."[5] Can someone explain to me why we judge Olivia for doing the very things we taught her to do? For consuming. For being in so much debt. For not saving.

We know Olivia knows what saving is and probably agrees that saving is a good idea. But the condition she has started her life in would be akin to learning in a one-hour lesson in high school about programming and then being expected to work as a computer programmer after graduating college with an English degree.

The news loves to report this story. It's a narrative that the older generations can read and then shake their heads in disapproval, momentarily disrupted when it's their turn in the Starbucks line to order a venti, nonfat, extra hot latte.

Let's put the judgement hat on. Olivia:

1. Is Gen Z/Millennial
2. Lives at home
3. Spends without an understanding of budget
4. Has a high-interest car loan
5. Has too much student loan debt

Olivia's story is real, but for every extreme story like hers, there are 10 more that are less severe, equally heartbreaking, and sadly common. I find most people are breaking even (no debt but no savings) or undersaving to the point that retirement will not be an enjoyable experience.

In recent decades, we graduate from high school and, often, college into a harsh world. It is a world where we receive credit cards in our mailboxes on a weekly basis, encouraging us to spend. We might even get checks with those cards. Want a car? No problem. Who pays cash for their cars anymore? "No one."

You likely grew up in a household where your only observance of money was your parents' spending. You have been and continue to be encouraged, cheered on even, to spend, spend, spend. But then, at some point, reality sets in. Those minimum credit card payments that used to be $10 are suddenly a lot higher. You realize that the total owed on all those cards is a big number, too big to know how you would ever pay them off. Making that car payment is much more difficult than you had calculated in your head—certainly more than the car salesperson made it sound to be.

You are stressed. And this is not like cramming-for-exams stressed. Remember those few days before the test when you feel like you will never get there? You can't possibly get through the book that you never read. You are surely going to fail. But then you take the test. You don't fail, and you sleep for three weeks on your parents' couch at the end of the semester, emerging a new you.

Financial stress? This is a different kind of stress. It's the kind that is always there. Dinner with friends after work? It's there when you order your entrée, when the check arrives, when the friend mentions the promotion that you desperately need for a pay raise. It's there when you go on vacation (on credit) to get away from the stress. But you feel the stress constantly in the pit of your stomach. *Sure this vacation is nice, but how can I afford the payments when I get back to the grind*? It's there when your best friend is getting married, and instead of being excited during the ceremony, you are just hoping there will be enough money in your account on Friday, payday, to Venmo the bride for your bridesmaid dress.

Maybe none of this resonates with you. You would never buy a new car, after all. You understand the pitfalls of credit cards. But is it possible that your financial challenge could be something different? Maybe it's the nicer apartment that you justify getting because it would allow you to walk to work. Maybe you eat out a lot because it makes sense to network on the job. Maybe your health is important to you so you spend hundreds on a gym membership and expensive supplements. Maybe beauty is important to you so you spend hundreds on skin care and expensive haircuts, manicures, and pedicures.

Most people are walking around, trapped in their own justifications of spending. They are spenders convincing themselves they are savers (or would-be savers) if only they made more money, didn't have to fix their cars, didn't need an expensive medical procedure, etc., etc., etc. They curiously look at other forms of spending as frivolous but somehow don't see their own. And the stories are typically not as severe as the first situation. Usually, the stories are the big life coincidences—that everything people bring home in their take-home pay seems to be just the right amount that they need, count on, rely on, couldn't manage to survive without.

What if I told you this inability to save is largely attributed to the wiring of our human brains? In the history of the human race, people didn't have to save for retirement because there was no such thing. They died during working years. But we can't plan to work throughout our entire lives, whether by choice or because our health gives out on us. As Jonathan Clements points out, "America's miserably low savings rate partly stems from our short-term focus. But it also reflects our lack of self-control. Our ancestors didn't have to worry about restraining their consumption so they could amass money for retirement. We, alas, do need self-control. But for most of us, it is a lifelong struggle."[6]

Our ancestors didn't need retirement, but they also didn't have credit available to them. If they wanted something they didn't have, they had to pay or trade for it. So now we have this double whammy—the hunter-gatherer complex that dominates the brain to feed us for today and the credit cards that only work to reinforce, rather than tame, that influence.

Do not be dismayed. We can fix this. But we have to do some brain work. Pronto.

You have to *want* to save, and I don't take for granted that you do. It was not always my priority in life. In every single case I witness of a young person in the pain of living beyond their means, I have also clearly seen the alternative path that could have resulted in that same young person sitting in front of me with joy. The joy of missing out on the consumption train (JOMO) is the opposite of the fear of missing out (FOMO), which financially comes to represent the things we buy, from physical things to experiences, because our neighbors or friends are buying them. In fact, in many cases, we discussed the alternative path and how they wish they had taken it.

JOMO

The opposite of the Fear of Missing Out (FOMO). The joy of knowing what it is like to have savings in retirement, money in a savings account, and absolutely no debt.

The difference, really, is how quickly I can get in front of someone before they have made major life mistakes on debt. If I can catch them before renting the apartment, before buying the car, before setting the lifestyle, they will probably take that narrow, obscure path of financial freedom and start saving. It is that easy. Those early wins rewire the brain. The small financial wins become bigger ones over time.

My approach to helping people save in a large-scale way is to get in front of them on their first day at a company as the advisor to retirement plans. My colleagues and I get to have a half-hour conversation with an employee to try and convince them to save. It often works well, particularly for people starting out in life or who don't have high fixed expenses. We ask them to save, and then they do. If it is this simple, and I know that it works, how can we reach people beyond the scope of the retirement plans we serve?

Hence this book. It is my way to get behind the megaphone and reach more of you with the life-changing money moves I have seen work again and again. It is your roadmap to start out life avoiding, or re-start your life after, financial pain.

Have you answered the question yet? Are you a saver or a spender? Maybe you knee-jerk responded "saver" (yay!), but after reading on, realized that you are probably at risk of being a spender. Our natural habitat is consumption and debt. To be a saver is, in many ways, counter-cultural or abnormal. If you read this book and follow the plan to design your life and budget, you will become a saver. And when you start early enough, you only have to save a relatively small amount to live the life of your own design. It's when you start later that saving becomes more difficult, more painful.

Lifestyle Creep

The incremental purchases, subscriptions, or payments that we continue to take on as long as there is money in the bank.

I believe that financial pain does not have to be a rite of passage. We are going to end this, you and me. Together, we will fend off lifestyle creep. Legend has it that John D. Rockefeller was asked by a reporter how much money was enough. He is rumored to have responded, "Just a little bit more."

I am going to make you a saver by the time we finish this book. Perhaps this sounds exciting. Or maybe, a little frightening. The great news? If you start now, it is not nearly as tough as you might think. There is one time in your life that saving will be easy for you: right now. Not in six months, not when you make more money. Right now.

Saving

A rare condition wherein a person spends less than they make, diagnosed in the post- World War II era, but mostly eradicated in the subsequent generations.

When you are in your 20s, there is a line out the door of older adults telling you what to do. My goal here is not to tell you what to do, rather to illuminate the financial path that offers happiness. I am going to prove the point that the path of saving will make you happier.

One of the words in the industry, "finance," goes in through the ears and sets the eyes aglaze. For some reason, finance seems to be conflated with investing. Investments are great, and I want you to benefit from growing your savings over time through investing. But the investing industry often is dominated by people whose high comes from calculating stock valuations and whose fears are triggered by inverted yield curves. They get misty-eyed when recalling the moment, on that gorgeous fall day, when they first learned to read the stock ticker symbols in the paper. If you have no idea what I just said, I can tell you with authority that you can live your life not knowing or understanding it. Yes, there are basic concepts of investing you need to understand, like compounding, so that your savings and time can work for you, but I am here to tell you mastering the technicalities of investing is not necessary. In fact, simple wins every time as we will discuss later.

Finance

Paying for stuff with your money or other people's money (debt).

Even if you get caught up in the excitement of that world, to invest, you first must save. Saving is an emotional and behavioral process. It is a far more challenging hurdle than investing.

Together, we are going to take back personal finance and make it synonymous with saving. Not debt. Not investing. Saving matters most of all. And the timing of the advice is everything. Get it before it's too late, before you make the mistakes most of us have made and many will not come back from.

Consider the advice that I have heard over and over. It comes from a woman in her 50s who has nothing to her name. At some point in our meeting, it dawns on her that she will have to make extreme changes to get on track for retirement. Often, her eyes well with tears, and sometimes tears fall. Then, she tells me that if she could just go back to her former self, she would do one thing differently: save.

Let's rewrite the story of our college graduate and make her our heroine.

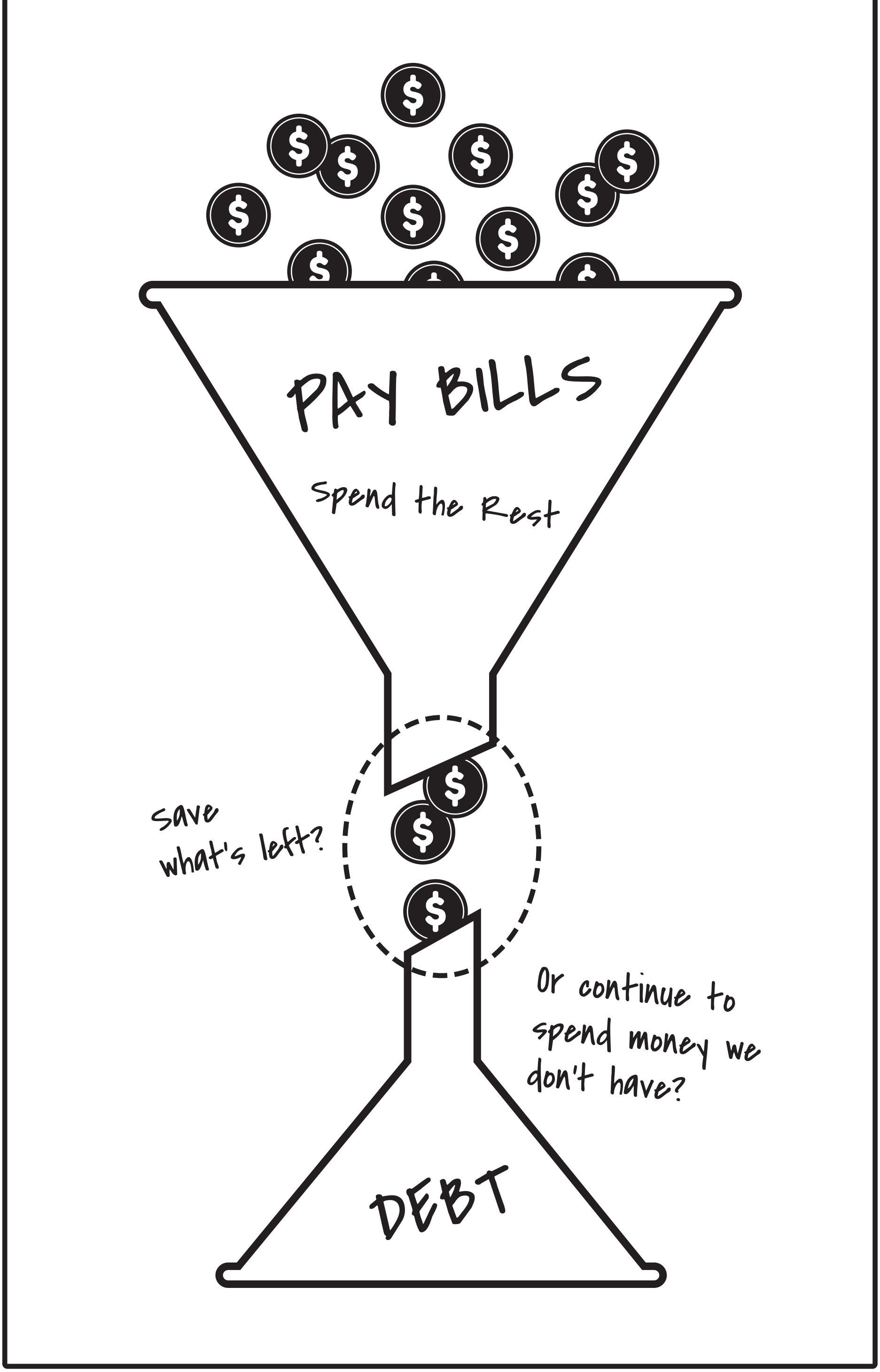
THE INSPIRATION: PAY YOURSELF FIRST AND SAVE 10

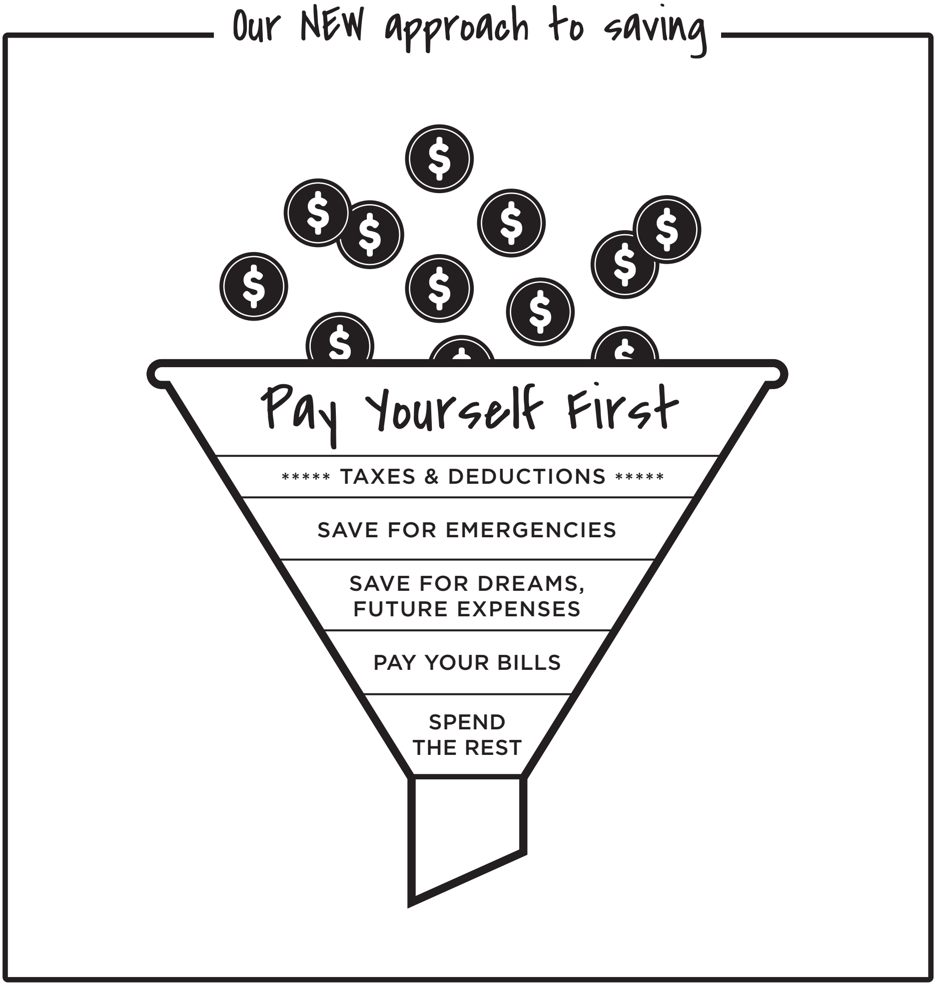
"I want to *want* to make money. I don't want to *need* to make money."
— Farnoosh Torabi[7]

Olivia is setting out on a new path. On the old path, Olivia made the common mistake of funneling her money through her operating expenses, or daily lifestyle, first. The idea was that what was leftover each month could be used to pay off debt or to save. Unfortunately, one-off expenses keep gobbling up anything left over each month. Student loan monthly payments will start coming due in six months, but there is nothing left to pay them. She is heading for the nightmare scenario of student loans *and* credit cards.

Let's turn this upside down. Instead of funneling money through spending, hoping some ends up coming out the bottom to pay down student loan debt and save, how about we funnel money through saving and debt repayment and *then* allocate the rest for spending? In fact, let's funnel our money through different forms of saving, starting with retirement and paying off the student loan debt aggressively (as a form of saving), then starting an emergency fund account. From there, we will start saving ahead for future vacations, car repairs, and gifts. Then, what's left over will be available for spending.

This is how we tend to approach saving





By working together to change the story, we will make Olivia not just a heroine, but the boss of her own life. Building up retirement and cash reserves, easily paying off student loan debt, and avoiding credit card debt achieves this, and through Olivia's story, you will establish your own story, even if your starting point in life looks different. Maybe you don't have student loan debt (or you have far more debt). Maybe you will not live at home. The same principles will apply to dramatically differing circumstances. The very basics of making you the master of your own financial destiny involve learning how to use a system that, once in place, will be adjustable throughout your life, at any fluctuation in income, with any changing life goals or retirement aspirations. By the end of this book, you will understand the power of paying yourself first.

> "Money equals opportunity, power, control, autonomy. Maybe it doesn't buy happiness, but it does buy you the opportunities that you want to feel like your best self, the experiences you want, the agency you need to leave a bad situation." — Farnoosh Torabi[8]

Join me on a journey into the psychology of our brains, an insider's view of the industry that your money will engage with, the current status of women in that industry as consumers and professionals, and, most importantly, *how* you can take control of your money in a way that brings joy. We will arrive at the conclusion that when we cut out a lot of noise and a lot of alienation, there is just one thing women need to worry about, think about, dream about, and focus on: saving.

By the end of this book, I am confident that you will feel saving to your core—to live it, to love it, and to internalize it. Remember, you are young and making a lifetime decision. If you create a foundational philosophy around money and saving, you are more likely to adopt this system for life. It won't be a whim or a New Year's resolution. It will be a life practice.

If I was just telling you to save and how to save for retirement, this book would be short. It would join the piles of books telling you to save and how easy it is, only for you to put it down and still not save. It would just be a financial diet that you go on until you see a certain number, only to see those spending numbers rise up again with a vengeance after a much-needed treat-yourself day.

Instead of stopping there, once we establish saving for retirement and paying down debt, we will move to a cash management system that will work for your entire life. It will make you the boss, or the Chief Financial Officer (CFO), of your personal budget. I promise to never use

Budget

A word that has terrified children of the Depression-era generation and the generations that followed.

Synonyms: deprivation, misery, loneliness, friendlessness.

the word budget again. We will instead say "cash flow management," because the point of money is to bring the optimal amount of joy and security for each individual who has it.

I did not invent the cash flow management system that I'm going to share with you. It is a system I learned personally from a nationally renowned financial planner, Marty Kurtz. He would not say that he fundamentally invented a pay yourself first system either. This is an age-old concept that he adapted for a modern era of banking and credit card technology. Essentially, age-old wisdom works to help you find the optimal use of each dollar, but age-old systems of cash and checkbooks don't. He created an actual planning tool, called the First Step Cash Management System™, that could be used by a financial advisor in a planning relationship with a client to set up a pay yourself first system. I personally have a subscription to this tool and have used it in client relationships. It is an ingenious integration into a client relationship that clients are asking for from their advisors. Budgeting used to be thought of as the thing that only those with lower incomes wanted to do, but financial advisors are starting to realize that people of all income levels want to have better control of their cash flows.

The basic idea is to automate savings for large ticket items first and then spend the rest.

The likelihood of you having an advisor is nil, but as we discuss later, you will do just fine. You can apply basic and important principles of automation and saving first on your own, and I have adapted the pay yourself first cash flow system for young people getting started in life who won't have someone looking over their shoulder.

The point of this book is to inspire and explain how you can apply this to your life.

Book Roadmap

1. **You'll drool over a compound interest chart.** (This is totally about to happen.)
2. **You'll learn why automation can be better than inspiration.**
3. **You'll learn why I'm interested in being one of the first people to talk to you about money: so you won't be like so many women left behind in the financial world.**
4. **You'll understand why the financial advice industry is not currently built to advise you in your stage of life, but that's okay.**
5. **You'll learn the cash flow system in steps:**

    Step 1: Pay Yourself First/Save into Your Retirement Fund. (You could stop here, but Steps 2, 3, and 4 will take your money and your life to the next level.)

    Step 2: Pay for Future Expenses. (Understand that rather than relying on a backward-looking system that attempts to control your spending through personal shame, you are committing to a forward-looking system that helps you take pride in taking care of yourself as you prepare for inevitable future expenses. This is how previous generations budgeted before Americans became consumed by debt culture.)

    Step 3: Pay Your Bills.

    Step 4: Spend the Rest. (Can I get a Wah! Wah! This is REAL, y'all.)

6. **You'll read some wrap-up info, learn how Olivia applies this system as her life unfolds, and consider an invitation to for-**

mally join the Save10 movement so that you can receive the support of many other women making the same decision(s) you are.

7. **You'll read the last page and close the book. You will understand the power of paying yourself first and saving 10% for retirement. You will understand how to implement the 4 Steps.**
8. **You will be prepared to ladysplain money to others and bring other women to experience the joy of saving and managing their own money.**

Let's get started!

This is Not About Investing

What frustrates me most about the financial industry for the average person is that there are piles of information on highly technical approaches like investing, which mask the simplest but most profound advice.

A young woman once came into my office to discuss her 401(k) that I managed. Her dad was concerned about the investing options and whether they had a chance of beating the market. A few questions in, I found out she was saving just 2% of her income, had over $8,000 in credit card debt, and had a $600/month car payment.

As our discussion unfolded, and she realized I wasn't going to run out the door in shock and horror at her situation, the conversation changed. The constant dinner table conversations on investments made her feel the need to come in to talk about investments. But what she really needed to do was slay the debt and increase her savings, perhaps then getting around to debating the relative merits of her investment choices.

This obsession with investments distracts from the more obvious actions people need to take to build their wealth. For instance, there are people who have chronically undersaved their whole lives and walk in telling me that they "don't want to lose any money. No risk." But let's think about the spending they engaged in throughout their lives. Spending money is a guaranteed rate of negative return. To zero. You had money. You gave it to someone else. Now you don't have that money.

So why would we ever obsess about investments when the elephant in the room is eating your money, peanut by peanut, in rent, car payments, and dining out? Because that's what we think we're supposed to do. What I'm telling you now is that instead of worrying about growing (or losing) your money in investments, I can give you a way to take back some of those peanuts and thus worry less about investing being some kind of silver bullet.

This is about to get really fun. **Here is your official permission: Do not do what you think you are supposed to do. Instead of worrying about investing first, spend your time and efforts on saving first.**

More precisely, I want you to save 10% of everything you make. Actually, let's say it a better way: I want you to pay yourself first with 10%.

In her book *Mindful Money*, my mentor, Linda Bessette, says, "Always save. Save consistently. Save no matter what."[9] You probably have more of a chance to save than any other living generation. The ones before us were still living in the wake of pensions, where people worked for a company all their lives and were then taken care of by that company in their retirement through monthly payments. The problem is pensions went away and went away too quietly. People were lulled by this feeling or understanding that it all just kind of works out. Pull up newspaper articles about the retirement crisis on a given day, and you now know that's not the case. You are the first generation starting out a life in the wake of the tragedy of a lot of people who can't retire on their own terms. There is no more false sense of security.

> "From the perspective of choice architecture, defined-benefit plans have one large virtue: they are forgiving to even the most mindless of Humans." — Thaler and Sunstein[10]

For natural savers, the choice to save feels right because saving is its own reward. But what about the rest of you who—like I used to—think that while saving seems like the *right* thing to do, can't escape the notion that going without makes life feel somehow devoid of joy?

People with those feelings and expressing variations on this theme sit in front of me on a daily basis, often repeating the words that make saving sound like a death wish: "I believe in enjoying life today."

If you find yourself saying these or similar words, you've fallen into a common trap. It may sound true, but on closer examination, it is not true. What we want to save is a minimum of 10%. That is a small amount of money. Many would argue it should be higher. So, you *are* enjoying your money today. Ninety whole percent of it. Well, you and the government are enjoying it. (We will talk about taxes later.) In an interview at Google, financial guru Paula Pant makes the point that there is still inherent enjoyment that can come from watching your money accumulate. The argument she made to this young, ambitious crowd went as follows: "When you tell someone in their 20s to delay gratification, that sounds awful. I'm not delaying gratification. I am super-gratified by watching my net worth grow. I'm super-gratified by looking at the numbers in this account and watching them get bigger."[11]

But to these points on living in the now and reducing current joy for future joy, I have lived them all. The arguments I have to save a large percentage of my income now would be difficult arguments for my former life. Everyone has a different savings journey. In my own life, saving begot saving. It wasn't until I saved a little that I thought saving a little more could be even better. Tasting the freedom and excitement and possibility of it got me off the sidelines. It wasn't until I saw that saving a lot meant that in my 30s, I got to let go of my 6:30 am to 5 pm job to pursue my dream of starting a company. In his 40s, my husband got to walk away from a 7 am to 5 pm job to start a company where working one night a week nearly replaced the salary of working those days.

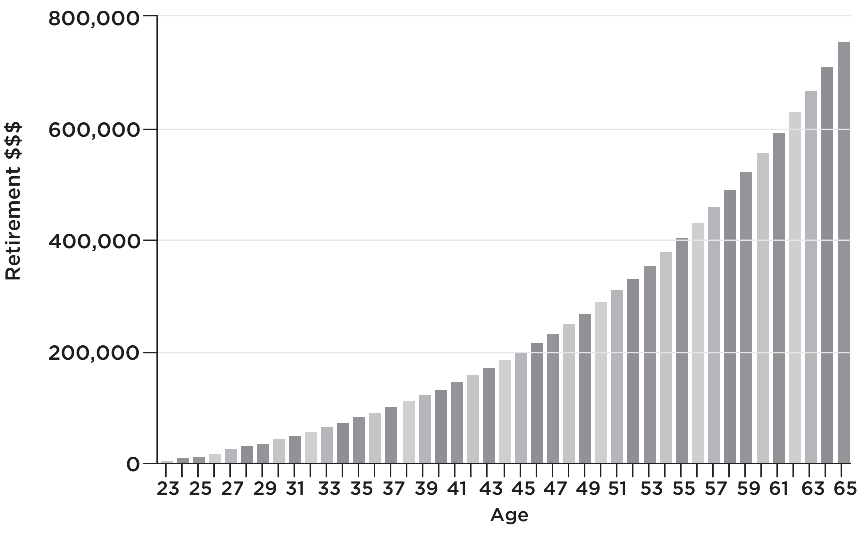
For me, it took seeing that in action to realize something profound: Saving is ultimate power. It's the ability to walk away from a day job to a business where you are the boss and don't feel like work is work anymore. It's the ability to negotiate a better business deal. It's the ability to get a better interest rate on a home loan. It's the power to live life on your own terms and no one else's.

As I mentioned before, I've heard every money story, good and bad. What I have never heard is anyone express regret about saving. No one ever says, "I wish I hadn't saved so much." I guess there can be extreme cases of miserly behavior, but young people who talk to me about growing up in those households almost uniformly express admiration for their parents' frugality.

B.C. Krygowski, a physician who is a thought leader in the financial independence movement, describes the difference well. "A miser is a person who lives in wretched circumstances so they can hoard money. Being frugal means being economical and choosing cheaper, but acceptable ways to have the same type of lifestyle that still brings me joy daily."[12] When parents have a lot of credit card debt for the sake of letting kids experience seeing the world through travel or letting them try new activities, often that's actually not what the kids want. They would forgo any trip or activity to avoid overhearing the fights at night about the credit card bill that just arrived or the general anxiety and tension that looms in any debtor household. If you are reading this, and that's what your home life felt like, you know what I mean. And I will ask you, is there anything your parents could have bought you that you would have valued more than peace in your home life?

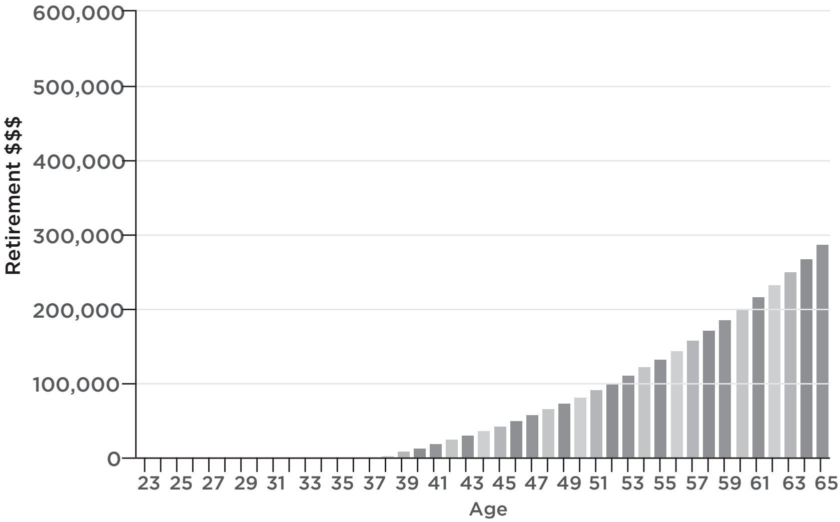
Compound Interest Chart

Soon, a chart is going to flash in front of you. There is a chance that the mere glimpse of this chart will be enough for you to sell everything and open a retirement account. Ok, here goes . . . 1, 2, and . . .



We will use Olivia for this example. She is 23, makes $45,000 per year and saves 10%, or $4,500 per year into a retirement account. Just to keep this simple, assume Olivia gets no raises, her investments grow modestly at 5.6% annually, net of fees, and she receives no company match. By age 65 she ends up with just over $750,000, even though all she deposited over those years was a little over $190,000.

Now, let's assume she didn't get the benefit of the advice to save 10% from the beginning. Instead, she started saving 10% 15 years later in her 30s. Here is what her retirement would look like: a hair under $290,000. So in a span of 42 years, shaving those first 15 years takes a lot more off than one would think.



That, my friend, is the power of compound interest. Every year, put a little money into an account and invest it, and allow time and investments to work in your favor. If you are in your 20s, time is abundantly in your favor, so you can use this to your advantage.

This might be it, the conversion experience.

Maybe you just dropped this book, called your mom or your friend, and told them you are IN. You will from this day forward save 10% of everything you ever make and invest as we talk about later. Awesome! Even if this chart was enough to convince you, I hope you will read on.

If you didn't just have the conversion experience, don't be dismayed. There is something for everyone in this book. I promise you will be saving 10% by the end.