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THE RIGHT STUFF

Every day you make financial choices. You buy morning coffee, take clothes to the cleaners, stock up on groceries, and get gas for the vehicle you drive. You might empty your pockets to give money to a child and then tap into an ATM to replenish your cash. On occasion you must cover the costs of an emergency. And once in a while, you make life-sized decisions—to change a job or career, move to a distant city, pay for education, or retire from the workforce. And all this in a constantly shifting societal environment!

Consider these recent challenges:

- Employers are terminating pensions for retirees and current workers at all levels. They are substituting 401(k) and 403(b) plans (you save your own money before any money is deposited by your employer) for traditional pensions (your employer deposited all the money in your account in exchange for years of work).
- Health benefits are continuing to cost more for employers, and these costs are increasingly being passed on to employees.
- Increasing numbers of Americans have no health insurance at all.
- Bankruptcy reform now limits a family's chances of starting over with a clean slate after a personal financial disaster.
- Political leaders talk about doing away with your all-important mortgage interest deduction.
- Politicians and lawmakers are proposing evermore “significant structural adjustments” to Social Security, Medicare, and Medicaid to deal with the nation's mounting budget deficit.¹
- The IRS is more aggressively auditing individuals.²

In such a daunting environment, it is understandable that some people want to ignore the bigger picture. Others might claim that learning about financial management “is not their thing.” But it isn’t that easy; like it or not, we are already players in the financial game of life.

Consider all that you already know and grapple with on a daily basis:

You work and earn money, choose how you spend money, and borrow money each time you sign a credit card receipt. You make financial choices to save for emergencies and for your future security. Or perhaps you save little or nothing at all—letting life events “just happen,” and then feel indignant, guilty, or depressed when they do. Granted, you might not always understand the subtle intricacies of the general economy, the capital markets, the health care system, or the fine print in the contracts you sign. Neither do most people. You might hate tackling personal finances and find even talking about finances a passionate turn-off . . . but hold on! *There is a better way to think about personal finances.*

We can create a new model for living in the twenty-first century that shakes us from the complacency afflicting many in our nation today. And it starts with answering some big questions:

- What do I really value in life?
- What is my purpose?
- Am I living reactively or proactively?
- Am I honestly pleased with the way I am working to bring lasting benefits to myself and to those who depend on me?
- Do I “get involved” in the bigger picture and vote for responsible social and economic policies?
- Am I poised to achieve my biggest dreams?
- Am I even allowing myself to dream?

“The world makes way for the person who knows where he or she is going,” wrote Ralph Waldo Emerson, nineteenth-century poet and essayist. But you don’t have to go it alone. When it comes to finding your way on the road to financial security, you can look to another group for guidance, those who have achieved the status of living long, healthy lives. As we have discovered, whether you are on your way to a long and healthy life or to peace of mind and financial security, *the characteristics and habits of those who make it to their destinations are exactly the same.*

Following in Their Footsteps

Several years ago, Drs. Margery Hutter Silver and Thomas T. Perls (now Director of the New England Centenarian Study) presented findings to a group of gerontologists on a study in progress of the “oldest old” Americans. Silver and Perls were trying to discover the secrets of longevity from men and women who had reached the age of 100 and beyond. The results were surprising. No particular food or habit could account for the good living enjoyed by this lively group for over a century.

What the centenarians all had in common, according to these researchers, were the following four character traits: (1) they had a positive outlook; (2) they were engaged and active; (3) they had a social support system; and (4) they could cope well with loss. The nation’s oldest old, it seems from these researchers’ report, possess the “right stuff” for living through both good and tough times. They are the Americans who lived through the Great Depression, fought in World War II, worked hard, and pursued their dreams, all the while improving the American way of life for following generations.

The **Personal Characteristics** they possessed are the same as those you will uncover in yourself as you take charge of your life, plan for your future, and become competent in managing your everyday finances. You too will need

- to maintain a positive outlook,
- to be engaged and active in your financial affairs,
- to reach out to others for advice, education, financial resources, and financial help, and
- to learn to cope well with loss when you must.

Think this will be too difficult? Think again. When the people we interview decide to take charge of their financial affairs, they all say the same thing, “Why didn’t I do this long ago?”³ What most of them learned is that:

- You will naturally have a more **Positive Outlook** as you investigate what you really value, set goals, strategize, and periodically adjust your goals in anticipation of emerging trends and changing times.

In addition, you will find that as you learn and practice the basics, you will gain confidence and become encouraged to learn more.

- When you get more **Actively Involved** in your day-to-day finances, you will become curious and more aware of where your money actually goes. Soon enough and with less effort than you think, you will be engaged in planning your financial life—pro-actively.
- You will learn how to make wise saving, housing, and investment choices when you **Reach Out to Others** for strength, support, advice, education, and professional services. As you communicate more comfortably about your needs and preferences both at home and in the workplace, you'll find that caring people and financial resources are everywhere, and help to guide you along your way has never been more plentiful.
- The ability to **Plan for and Cope Well with Loss** can banish fear and help you recover quickly or change course in the face of adversity. No longer are you paralyzed when financial decisions must be made—you anticipate changes from time to time, and you go ahead and make them.

You and Your Money is more than a blueprint for building a secure financial future. It is also a powerful program to self-discovery. You can anticipate two results when you follow the steps we are suggesting: First, you will become a more aware and knowledgeable consumer as you practice the financial basics mindfully. Second, you will be on your way to a more personally fulfilling, happy, and secure life. During a recent financial education course attended by men and women in the Navy, these are the terms they used to describe “being in control of your financial life:”⁴

- Stress free
- High on life
- More confident
- More options
- Bigger savings account
- No fighting with your spouse
- No restless nights

Tapping Into Your Own Life Values

Would it surprise you to know that marketers often know your financial triggers better than you do? Wouldn't you like to understand your own motivations at least that well and even much better than their superficial tracking has revealed about you?

In the next few chapters, we help you focus on what really matters in your life. The Life Values Profile, explained in Chapter 3, "How We Decide," and Chapter 4, "Your Life Values Profile," will help you learn to wisely navigate the purchasing and savings decisions you face daily. You will find yourself on your way to building financial security as you:

- Become aware of your Life Values so you can interpret your impulses and use your new understanding to make smarter choices.
- Learn that your best financial decisions are always comprised of (1) financial behaviors in sync with what you really care about in life and (2) your knowledge of the financial basics.
- Enhance your understanding of your partner's and other family members' Life Values to minimize conflict and maximize harmony in your day-to-day financial life.
- Realize that wise financial choices today will anchor your entire well-being and the well-being of your loved ones in the future.
- Make routine money management practices and life decisions that will help you achieve financial competence and true security—whatever life may throw your way.

Getting Started

Financial competence is achieved by connecting the standards that guide you, the emotions that energize you, and the imagination that propels you so you will prosper *even when the future may seem uncertain*. In this book you will find guidance that we hope will help you become more at ease about managing money, skillful and confident about investing for your future, and surefooted in recovering quickly from any financial emergency. America is still a place where vision, dedication, and hard work can transform dreams into reality. Financial competence and savvy planning are essential tools for people who want to access opportunities and avoid pitfalls.

Think of it! Available books and magazines on money management, financial planning, and investing could fill a library. The Internet can provide you with thousands of answers, courses, self-help, and links to financial companies. Dozens of experts have written brilliantly about exactly how you should handle your money. We sorted through much of this advice to bring you the basics, and we have listed many resources in Chapter 19, “Finding the Help You Need,” and in the Appendix, “Personal Finance Education Internet Sites,” for you to check out for yourself.

We suggest five ways to interact with the information in this book: **ponder**, **daydream**, **experiment**, **practice**, and **plan**. The point of these processes is to help you *experience* the topics as well as read them. This is because real understanding happens, not only by reading about new ideas, but by “feeling” that they are particularly right for you.

PONDER

One expert family counselor, Rita Boothby, calls money “the root of all opportunity.”⁵ Is this a new idea to you? It was to us. Ponder this: Many people have been contaminated by the myth that money is evil, but according to Rita, people who believe money is about opportunity are likely to buy what’s necessary and useful and leave the rest alone—*without guilt*. Some of their money circulates in the form of charity, and even if underpaid, they are likely to manage well and save what they can for the future. We marvel at the success stories of people from humble circumstances, but anyone—at any age or life stage—can develop the same habits and be successful as well.

As we present new ideas or what we believe are particularly valuable insights throughout this book, we collect them into “Points to Ponder” boxes. If you find them intriguing or important for your own situation, you might choose to close this book for a few moments to reflect on whether and how you can apply them to your particular life or financial situation.

DAYDREAM

Connecting with your dreams is necessary to release passion, have the energy to take on a task, and become excited about your goals. The key is

uncovering your *ideal* self—the person you would like to be or what you want to accomplish with your life. And that starts with daydreaming.

Ninety-six percent of us, according to Jerome L. Singer of Yale, report having daydreams. Because you are allowing images to flow through your mind constantly, why not let your images work for you? You must be able to picture success before you can succeed at something; you must be able to imagine living in your own home before you are motivated to go out and buy it. And you must be able to see yourself as competent at managing all the business details of your life before you will gain the courage to try.

Using daydreams, you can rehearse how you will ask your boss for a raise and imagine his or her response. You can rewrite a scene where you wish you had behaved differently and prepare for what you might say or do the next time. You can envision yourself and your partner actually enjoying the time you spend together paying bills each month instead of fighting over them—or worse, one of you ignoring the bills altogether.

Sometimes we ask you to experience images while you are reading. When that happens, be sure you are comfortable, sit back, relax, and let the daydream inside your head unfold before you. Trust the flow of the imagery—it can guide you through a full script with characters playing out a drama.

EXPERIMENT

You will find mental and written explorations and exercises as you move through this book. All of the experiments are grounded in two facts of life: As a human being, you are influenced by your emotions, and where money is concerned, certain feelings can cause you or anyone else trouble. You can learn a lot about yourself if you study your emotional responses. You can also take action to distance yourself from troublesome feelings without reacting to them or denying them either. Most importantly, emotions are contagious, and for better or for worse, we humans take our emotional cues from one another.

If you are unable to acknowledge your angry feelings over a perceived slight at the checkout counter, for example, you can set off a chain reaction of

negativity first to the checker, then to the next person in line, and on and on. However, those who have learned to recognize and confront such moments effectively won't let their distress impact someone else—and perhaps many others. Daniel Goleman, author of the bestselling book *Emotional Intelligence*, encourages leaders in many fields to take emotions “out of the closet” and acknowledge the importance of dealing with them.

Participating in the exercises in this book will expand your ability to integrate the material presented. They are intended to bring some of the subject matter to life as mini-projects. Some of them will surprise you, some will delight you, and others will allow you to take your own inner wisdom into the real world and try it out—to see what works and what doesn't work for you.

PRACTICE

No task or skill becomes routine and feels easy until you've practiced doing it. Watch any child learning to hit a baseball; with instruction and plenty of practice, he will eventually hit a home run. Interestingly, where finances are concerned, our parents and grandparents may have had more opportunities to practice. Take *Hamilton's Essentials of Arithmetic*, a book written in 1920 for seventh and eighth graders, for example. Here is a sampling of the table of contents:

- Investing Money
- Insurance
- Stocks and Bonds
- The Family Budget
- Running an Automobile
- Mercantile (Consumer) Problems
- Doing Business with Banks

Immigrants in the early 1900s were also taught how to handle money. In 1910, a “Guide to the United States for the Italian Immigrant” taught newcomers how to find work, travel safely, become a citizen, and handle and manage money—“il dollaro.” For several months, a new arrival was visited twice a week and taught to practice “food preparation, buying . . . and discipline,” until she became precise in recording all her

expenditures, budgeting her resources, and laying a good financial foundation for her future life in America.⁶

As you read this book, you will find many pathways to laying a good foundation for your financial well-being and your ultimate peace of mind. As Italian newcomers learned nearly one hundred years ago, however, it takes practice.

PLAN

A few of you might believe you are lucky just to make it through each day. You might typically *react* to the events in your life and believe it impossible to turn things around or design and implement a plan. However, every noteworthy accomplishment has a plan behind it. Letting life “just happen to you” may spice it up some, but having no plan at all is a recipe for trouble.

What if the Egyptians had winged it when building the pyramids? Or if the astronauts had known only generally where they were headed? Financial consumer advocate, Bill Bachrach, asks these questions in *Values-Based Financial Planning*. He reminds us that great feats are achieved only as a result of people knowing what they want and then creating a strategy based on what is important to them. Olympic athletes, concert musicians, scientists, writers, artists, Nobel Prize winners, and many others accomplish what they set out to do only through planning. From modest to complex, *all goals need planning in order for us to achieve them*.

Although we listed “Plan” last, it is the most crucial financial activity of all. Creating a plan for the goals you want to pursue in life—even if you change them frequently—just makes sense. Otherwise you might not find your way, or you might become so caught up in stressful situations that you fail to take advantage of the many opportunities all around you.

Good luck on your journey to financial competence. Since you have gotten this far, we know you have the Right Stuff to succeed in achieving the *New American Dream* of the twenty-first century, including the freedom and opportunity associated with America’s heritage, but based on a new sense of personal responsibility for designing a secure future.