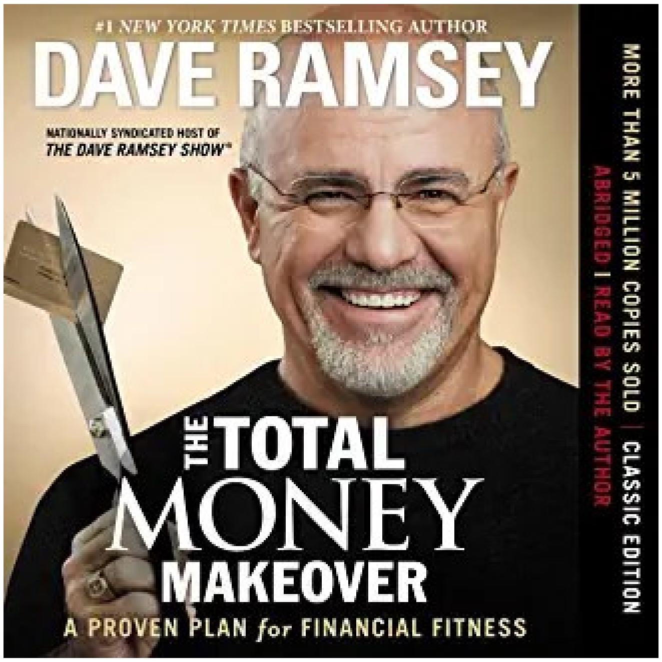
LCBS-2022-05-30-BookReview-TotalMoneyMakeover-DaveRamsey.pdf



DISCLAIMER - I am not a Financial Advisor and do not work for any Brokerage Firm. The opinions given are of my own and are not to be used as professional advice. These are my findings and can hopefully help you to make informed decisions on investing. Consult a Broker or Lawyer before making any investment.

The Total Money Makeover

This month we will do the first of the five most important investment books I have ever read. The Total Money Makeover by Dave Ramsey probably is not an investment book in the relation to how to invest your money. But if I had not read it or adopted his methods of running my personal life, I would never have had the funds to invest the way I do today. In my previous posts, I have explained how I spent years trying to overcome my huge backlog of debt and failed. Finally, I found this book. Buy it on Amazon:

https://www.amazon.com/Total-Money-Makeover-Classic-Financial-ebook/dp/B00DNBE8P6/ref=sr_1_1?crid=1CI2F6VYZOMUK&keywords=the+total+money+makeover+by+dave+ramsey&qid=1653935133&s=books&sprefix=the+total+money+%2Cstripbooks%2C806&sr=1-1

Dave Ramsey has coached millions of people on how to live and manage their finances. His way works. Many do not like his method as it is in your face and he sees no reason to ever use a credit card. (Debit cards are fine.) If his approach is too radical for you, you can try your plan by mixing his method and yours. I did it that way for over 10 years, and if I had not finally said "ENOUGH", I think we would still be battling a huge unwinnable battle.

Each day, Dave Ramsey has a talk show and discusses situations people are in. If you listen, you will realize your situation is probably not as bad as many who call in. But he gives good sound financial advice. Most spoiled people who think they have to have expensive 'cars and toys' find out quickly that he will make you discard those. But hanging on to something you probably should never have bought is not part of his no-nonsense plan. Many like myself got into an over my head debt situation by digging a hole with credit cards. Dave Ramsey's advice is that if you are in hole, stop digging. In simple words, STOP using credit cards.

A study of credit card use at McDonald's found that people spent 47% more when using credit instead of cash. Credit cards give you a false sense of having more money than you truly have.

The Total Money Makeover is not just a book of theories. It is a proven reliable method to take on your debt head-on and come out debt-free in as little as 18 to 24 months. Mine was so great it would probably have taken 4 years to use his method. By using part of his methods, we did it in 10 years. However, when we fully adopted the Dave Ramsey method, we were debt-free in 11 months.

Dave Ramsey probably has been where you are traveling today. He details how he became a millionaire quickly, and they blew it all and became broke. He got on his path to recovery and got back to being a millionaire several times over. Listen to some of the takeaway highlights I have gleaned from his book.

Takeaway # 1 - The problem you are facing is probably not a lack of knowledge. Knowing what to do is 20% of it, DOING IT is 80%. The problem is looking you back in the mirror each day. The issue is YOU. You must get control of things and handle the issue. The cavalry is not coming. If you don't do a total money makeover, you may wind up with an "Alpo" dinner in your old age. Sounds gross, but if you can't afford food, you might reach such desperate straits.

Takeaway # 2 - You must have a sound financial system. Anyone can blow more money than they make. But a solid plan will work day in and day out. He quotes great investor Warren Buffett who says “When the tide goes out, you can tell who was skinny dipping.” In other words, if you don’t have your finances in control, the ups and downs of life may destroy you. And this goes for investments down the road too. Get on a fully diversified SOLID plan once you are at the point to invest.

Takeaway # 3 - Dave Ramsey said in his book that he has never met a millionaire who said they got to their lofty status by using Discover points. I was the world’s worst about thinking the ‘right’ credit card would save me money. Paying 18 to 23% interest is not something this is a help to you. Credit cards are NOT YOUR FRIEND. He points out that you and I probably don’t own any of those 20-story shiny buildings, do we? But Discover bondage and Visa and Mastercard and American Express own hundreds of them. Credit cards are NOT YOUR FRIEND.

In his book, Dave points out that CHANGE IS PAINFUL. We won’t change until the pain of where we are exceeding the pain of change. When it comes to money, we can be like the toddler in a soiled diaper. “I know it smells bad, but it’s warm and it’s mine.” But the rash comes eventually and we cry out. Until you have had it trying to do it on your own, you will not win. The Credit card companies have you where they want you. Culture and commercials point to a very different picture than reality.

Takeaway # 4 - The Baby Steps 1 and 2 of the 7 Baby Steps to Freedom. This is all about HOW to get things under control. You quit living above your means and you stick to a budget. All expensive toys are liquidated and you drive an old Buick or Honda. (I drove both).

Baby Step 1 – Save $1,000 for your starter Emergency Fund. Little expenses come up all the time. If you rely on credit cards, you revert to your old ways and soon you have a bill you can not pay. First, you stop paying anything but your basic bills and minimum credit card payments, and you save up $1,000 to use for emergencies. As Dave says in his book, Murphy (Murphy’s law) does not visit people as often when they are prepared for emergencies. If you have to replace your water heater and spend $400 of your emergency funds, you stop your snowballing (Step #2) and refill your emergency fund.

Baby Step 2 - This is the second most important thing in getting out of debt. You list all your debts that you owe, the smallest payoff to the highest. He tells you to not be concerned with interest rates, but to worry about wiping out that first lowest debt. You pay the minimum payments on all the rest and pay all you can on the top debt Once it pays off, roll that money into #2 and it becomes the snowball until all 8 or 10 on the list are eliminated. This really really works from my own experience. You see immediate results and it is encouraging. Dave Ramsey encourages you at this point to revaluate everything, and if you have expensive cars that won't pay off in 2 years or sooner, then sell those vehicles and drive a cheaper car until you get on your feet. Have a garage sale or get an extra job to help with your snowball. This works great!

Takeaway #5 – Baby Steps 3 through 5. Now that your credit card debt is finalized, you come back and get organized with your finances.

Baby Step 3 – Save 3 to 6 months of expenses in a fully-funded emergency fund. This is not in an investment account, but rather a readily accessible savings account.

Baby Step 4 – Invest 15% of your household income into a retirement account. If you have an employer match on your 401 retirement account at work, you put the full matching amount of money there. If you have additional money left to invest, open a ROTH Ira. That way future earnings will never be taxed. Dave Ramsey recommends buying several mutual funds spread over several growth sections. Find those with 5 and 10-year averages of 12 to 15% on returns. Magazines such as Kiplinger's and Money Magazine list these, as well as all the big brokerage houses like Fidelity, Schwab, and Vanguard.

Baby Step 5 – Save for our children's college fund.

Takeaway # 6 - The Baby Steps 6 and 7.

Baby Step 6 – Pay off your home mortgage. This gets you 100% debt free from all creditors. Throughout the book, Dave talks about being Gazelle intense about debt. Read that article when you get the book and realize that the gazelle is not too fast, but he is running for his life. You are too when in these baby steps. He found that families who stayed Gazelle intense about debt were out of mortgage debt in approximately 7 years after they declared war on culture and debt.

Baby Step 7 – Build wealth and give. When you reach Baby step 7, you can now live like no one else. You are free to truly live a debt-free relaxing life.

Takeaway # 7 - The results:

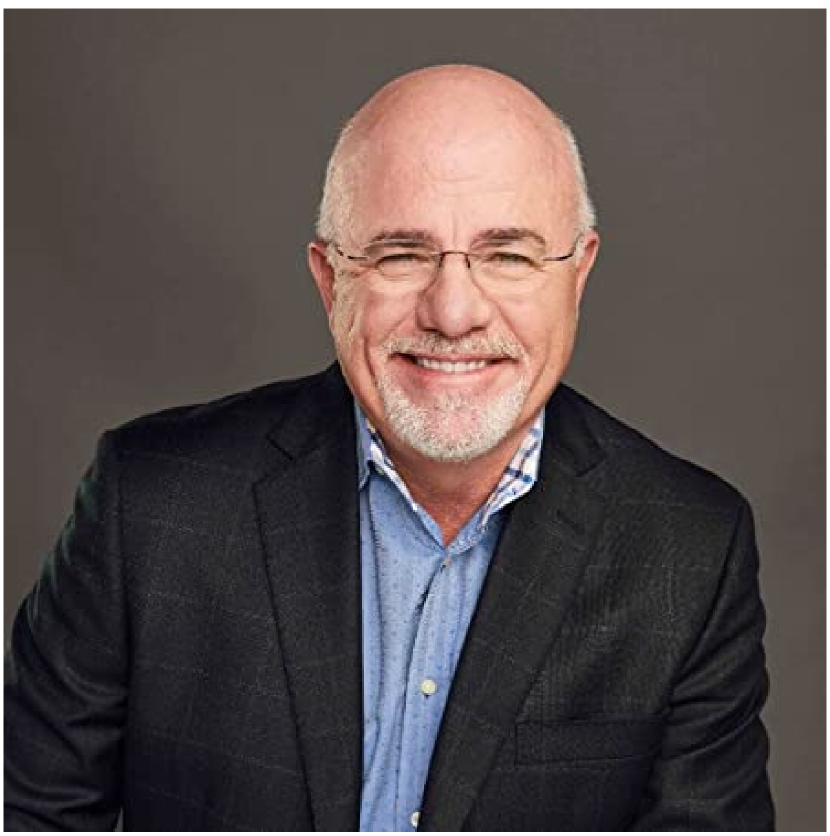
You may read this and say, this plan is too simple. I have been there and done that. I tried multiple variations of Dave Ramsey's plan including funding my Roth IRAs while in baby step 2. It just does not work. What should have taken me 5 years took me more like 10 because I would not conform to his plan. There is something about being

TOTALLY FOCUSED on that one baby step until it is done that makes you more determined.

As Dave says over and over **"Don't give up."** There will be down moments when it seems like you are not getting anywhere. But make a graph or a pie chart and shout out when you finish even a percentage of one of the steps. Baby Step 2 on the snowball may take you 2 years, or if you are in horrible shape, it might take 6 years. But it is worth the trouble

You will be glad you found this book. If like me, you may just need a little simple guidance to get debt-free. It has been the most liberating thing I have ever experienced regarding finances. Look at the millions of people who have stuck with it and can testify that this plan works.

In conclusion, let me say that I am so proud to have met Dave Ramsey. He has been a blessing to millions of people (like myself) who have struggled with debt. This is a great book and while not some super important get-rich-quick investment book, it gives you a foundation to get in a position where you can invest and put your money in long-term safe investments.



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