



**DAVE RAMSEY'S**

**COMPLETE GUIDE TO MONEY**

The Handbook of Financial Peace University

Peace

PHILIPPIANS 4:7

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## **DEDICATION**

To the millions of men and women across the country who have sat face to face and knee to knee with other families in *Financial Peace University* classes since 1994. Your passion, enthusiasm, and incredible successes are taking the message of Financial Peace to new heights, changing behaviors, breaking generational trends, and restoring hope for our nation's economy. To Louis Falzetti, executive vice president of Financial Peace University, who stayed late after class one night to help me stack chairs and hasn't left my side in the sixteen years since. Your vision for what FPU could become turned my small, local class into a household name. Millions of families thank you—and so do I.

## **ACKNOWLEDGMENTS**

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charge to make this book possible:

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## **INTRODUCTION**

For the past couple of decades, I've been known as "that money guy on the radio," but if you had met me back in the late 1980s, you would have met a much different Dave Ramsey. At that time, I was climbing out of a huge financial hole, caused by some stupid, risky mistakes I had made in my real estate business. If *that* guy were to call in to *The Dave Ramsey Show* today, I'd chew him out for being so stupid with his money! But hey, we've got to start somewhere, right? I started at the bottom of a huge money pit.

As I got my life back on track, I went on a crusade to figure out how money works. I read everything I could get my hands on, talked to a ton of successful people, and discovered a new passion—my life’s calling, really. In 1990, I started counseling people one on one, helping them sort through their own financial messes and sharing what I was learning through my own struggles. But within just a few years, I had become incredibly frustrated. I would run into people I had counseled a few months earlier, and they’d tell me they were in the middle of filing for bankruptcy. I’d say, “What? But we figured it out! We had a plan to get you back on track! What happened?” And they’d say something like, “I know, Dave, but it just didn’t work,” or “The budget seemed okay, but we just couldn’t stick to it,” or “Yeah, but once we left your office, we just felt overwhelmed again and bankruptcy seemed easier.” After this happened several times, a lightbulb went off in my head. In my early years of counseling, I had just been focusing on the math, but the math wasn’t the problem. I realized that the real issue was people’s *behaviors* around money, and that’s something math alone can’t fix.

I enjoyed one-on-one counseling, and I believed there was a place for that, but the truth is, broke people can’t afford to pay for ongoing counseling as they clean up their messes. And beyond that, sitting with a

counselor a couple of times a month didn't do much to address the behavior issues at the heart of the problem. So I started looking at other areas, to see how other places were doing it. I researched twelve-step programs, and then I really started looking at Weight Watchers as a model. You want to know a secret? Weight Watchers doesn't sell magic food. People lose weight because they know they've got to go to the group meeting and step on the scale on Tuesday night. That's the motivation that helps them walk past the donuts in the grocery store. *The accountability of a group environment causes people to change their behaviors.* It worked for weight loss, and I became convinced that it would work with money.

With that model of half-teaching, half-support group in mind, I got to work on a few lessons targeted at people considering bankruptcy. We called it *Life After Debt*, and I had high hopes. The first night, I set up one hundred chairs, expecting a big crowd. I had my overhead projector ready, and I was standing at the door in my bad suit and tie, waiting to greet the masses and change people's lives. Four people showed up. Only three of those four actually paid for the class. It was a humble start, but it was *still* a start.

A few more people showed up the next week, and a few more the week after that. As we grew and got to know the audience, we realized that this really wasn't just a class for people considering bankruptcy; it was a class

for *everyone*. I pulled back and adjusted my perspective. It's great to help someone on the verge of bankruptcy, but wouldn't it be better if we helped people change their behaviors way before bankruptcy even became a thought? So we swapped out some of the bankruptcy material for investing and insurance lessons, and attendance kept going up. Then we added more nights and more classes, and even more people showed up. In time, I was teaching this class several nights a week, and we changed its name to something that better represented what we wanted to accomplish. *Life After Debt* was gone, and *Financial Peace University* was born. Within a few years, we outgrew what I was able to teach live and in person, so we put it on video. Now, almost twenty years later, more than one million families have gone through the class around the country.

We've tweaked the class a little bit over the years, but the central message hasn't changed at all. Information is important, but behavior is the key. Biblical, common-sense principles don't change. This stuff isn't rocket science; it's stuff my grandmother could have taught. The problem isn't really that we don't know or can't understand what to do. The problem is that we choose not to do it. I knew this approach would work that first night I taught the class, and the millions of men and women who have followed the program since then have proved me right.



The book in your hands takes the heart of the class and puts it into an easy-to-understand manual. This should be a book you read cover to cover, and then pull back out and refer to often. And if you're thinking about filing bankruptcy, taking out a loan, buying a new car, getting a cash value life insurance policy, loaning money to a friend, or making any other major financial decisions right now, stop! Don't do a thing until you read this book! Trust me—the information in these pages can save you a world of headaches and years of regret.

Sure, there are critics who like to push their glasses down to the tip of their noses as they shake their heads at our material and call it “simplistic” or “naive.” That's fine. I didn't start this class or write this book for them.

Why would I waste my time with a few dozen critiques from broke financial bozos when I could instead kick back with the thousands of thank-you and “We Did It!” letters we get every year from families who are winning like never before? Maybe someday soon, you can send me one of those letters, too, telling me how much your life has changed since you discovered genuine Financial Peace. I can't wait to read it, but we've got some work to do first.

## COMMON SENSE FOR YOUR DOLLARS AND CENTS

The water was so hot, it was almost burning my face—but I could barely feel it. All I really felt were the tears that wouldn't stop coming as I stood in the shower, crying like a baby. One thought kept repeating itself over and over in my head: *How in the world did I end up here?* Maybe that's a question you've asked yourself a time or two.

At that time, I was coming off a winning streak. I was the wonder kid of real estate. Still in my twenties, I had built up a \$4 million portfolio in just a few years. My wife, Sharon, and I had been having all kinds of fun. Fancy jewelry. Luxury cars. Exotic vacations. We had it all. And then we lost it. My success was a lie. It was propped up on a mountain of debt, and one day, one bank decided to knock me off that mountain. Over the next few years, that mountain of debt turned into an avalanche that just about wiped out me and my family. We lost everything, and I stood in the shower every morning with tears and dread knowing what I was going to have to face that day. I had played the money game, and I had lost.

For me, hitting rock bottom was the wake-up call I needed to get my financial act together. From that point on, I was on a quest to find out everything I could about God's and Grandma's ways of handling money, and for more than twenty years now, I've been on a crusade to spread the

news about what I found. Money really isn't that complicated, but most of what we hear in the media and from the "highbrow financial geniuses" is just plain wrong. If you really want to win with money, you just need to get your arms around a handful of simple, repeatable concepts.

The concepts are *simple*, but that doesn't mean the process is *easy*. It's not. That's because money is not just about math; it's about behavior.

Personal finance is only 20 percent head knowledge. The other 80 percent—the bulk of the issue—is behavior. And it's our *behaviors* with money that can get us into the biggest trouble or lead us into the biggest successes. Behavior is the key to the whole deal, and we'll unpack how that plays out through all these different areas as we work through this book.

### JOIN THE CONVERSATION

After I got my \$1,000 in the bank, I finally had some peace of mind, and I didn't feel like I had to freak out because something unexpected came up. IT WAS AWESOME!

—Alicia

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## THE BABY STEPS

For years, I have taught people a process for getting out of debt and building wealth that I call the Baby Steps. I talk about the Baby Steps on

my radio show, in my live events, all through our *Financial Peace University* class, and I've even written a book, *The Total Money Makeover*, that walks you step by step through the seven-step process. The book you're holding right now, though, is different. We'll talk about the Baby Steps a lot, and we'll check each step off the list as we work through this information, but this book is more of a practical, hands-on guide for navigating your way through some of the details like savings, investing, mutual funds, insurance, real estate, and all the other important parts of your financial plan that a lot of people either forget or ignore.

I'm not going to repeat everything you may have already read in *The Total Money Makeover*, but we are going to stick to the Baby Steps as "home base." Like I said, I've been teaching people this stuff for twenty years, and I know the Baby Steps work. I'm not going to change everything I've been teaching for two decades just to sell a new book!

### ***Your Road Map for Success***

Basically, the Baby Steps are your road map to win with money. Having a goal is great, but you need to know more than just where you want to end up; you need to know how to get from Point A to Point B. You might say, "I know my target. I want to have \$1 million in my retirement account by the time I turn fifty." That's a great goal, but if you're sitting at age twenty-five

with two car loans, no savings, maxed-out credit cards, a dead-end job, and no real plan, you're not going to make it. You need some step-by-step directions to get where you want to go.

So, let's take a quick look at the seven Baby Steps. You'll see these markers come up as we work through this book and the *Financial Peace University* class.

**Baby Step 1:** Put \$1,000 in a beginner emergency fund (\$500 if your income is under \$20,000 per year).

**Baby Step 2:** Pay off all debt using the debt snowball.

**Baby Step 3:** Put three to six months of expenses into savings as a full emergency fund.

**Baby Step 4:** Invest 15 percent of your household income into Roth IRAs and pretax retirement plans.

**Baby Step 5:** Begin college funding for your kids.

**Baby Step 6:** Pay off your home early.

**Baby Step 7:** Build wealth and give.

The Baby Steps work because of focus and priority. It's like eating an elephant; you can't do it all in one bite! But if you break it down into smaller steps and pour all of your attention, energy, and passion into *one thing at a time*, you can do anything.

This is where we're heading, but as we get there, we'll deal with all the other details that sneak up on us and derail our financial plan. Not anymore! This book is your guide through all things money—from the biggest deals to the smallest details. I want you to read it, work through all the lessons if you're in the *Financial Peace University* class, and then refer to this book often as you hit each new milestone in your financial walk. You ready? Then, let's get started.

## **PRIORITY NUMBER ONE: SAVE MONEY!**

It took a near meltdown of the entire economy to get most people's attention about saving money. In the decade leading up to the 2008 financial mess, Americans flirted with a negative savings rate. That means, at times, the average American was spending more than he was making. All the money came in, and all the money went out—and then some. We were high on debt, high-risk loans, and crazy mortgages, and most people didn't have anything in the bank to catch them if they took a fall.

Gallup did a survey in the decade leading up to the 2008 crisis and found that only 32 percent of Americans would be able to cover a \$5,000 emergency without borrowing money. [1](#) [It](#) doesn't take much to add up to \$5,000, either. A car wreck, roof repair, or medical problem could hit \$5,000 pretty quickly, and when that happens, seven out of ten respondents

to the survey said they'd be charging up credit cards, taking out loans, or hitting up Mom and Dad for the money. They had no buffer between them and life.

Trust me, that's no way to live. I've been there; I've felt that pressure and there is no way I'm ever going back. So let's get started with the first step on the journey.

### **Baby Step 1: Put \$1,000 in a Beginner Emergency Fund**

This is your first priority, and you've got to do it *fast*! Today! Right now!

Most people can come up with \$1,000 in a month if they make it a priority.

If you're making less than \$20,000 a year, you can cut this down to \$500, but get it done. Have a garage sale this weekend, eat rice and beans every meal for the next month, work extra hours. Do whatever it takes, but hit this goal fast!

### ***The Pain of Change***

In the grand scheme of life, \$1,000 is not a lot of money. But this is often the hardest Baby Step for most people to take for one reason: it requires a change. A lot of the people I talk to every day have never had \$1,000 in the bank before. When we start the process by putting that cash aside in the bank *just for emergencies*, they have to make a decision: *Am I going to actually take these steps? Am I done living the way I've been living? Am I*

*willing to sacrifice to win?* That's no big deal for a lot of people, but I've seen tons of men and women face this decision and just walk away. They can't do it. Something in their spirits just won't let them mentally and emotionally make a commitment to change the behaviors that led them into a mess.

We don't always like change, do we? Sometimes, we're like a baby sitting in a poopy diaper. We think, *Sure it stinks, but it's warm and it's mine!* We get defensive of our mess even if it's not working. So when I tell people the first thing they need to do is put \$1,000 in the bank and not touch it, it can be a deal-breaker. It requires you to look in the mirror and say, "You're the problem." When you do that emotionally, you'll start to win with money.

### ***"Evil Rich People"***

We need to deal with something before we get too far into the issue of saving money. I want you to have a big pile of money in the bank. I want you to be able to buy nice things, cover emergencies without stress and panic, and have some cash on hand to bless other people. But every time I talk about saving and building wealth, someone always comes up to me and says, "But if I save money and do the stuff you teach, I'll become one of those evil rich people." That's a total disconnect about how God wants us to



handle our money.

Some people have a broken mind-set when it comes to wealth. They think that having money is somehow evil or wrong. That's a huge misreading of Scripture. The Bible doesn't say that money is the root of all evil; it says that *the love of money* is the root of all kinds of [evil](#).<sup>2</sup> Money is amoral. It doesn't have morals. It's not good and it's not bad. It's the love of money that's the problem—and that's a human problem, not a money problem.

Money's like a brick. I can take a brick and throw it through someone's window, or I can take a brick and build a church or hospital. The brick doesn't care. It's just a brick. But when you put it into the hands of a human being, it takes on the character of that person. It does whatever the person holding it wants to do. But we get confused about this; sometimes we think, *Oh, that person has a big pile of bricks, so he must be evil. And that guy doesn't have any bricks, so he must be good.* But it's just a pile of bricks.

Why are we putting morals and values on it?

I have met some rich people who are total greedy jerks, and so have you.

I have also met some poor people who are total greedy jerks, and so have

you. On the other hand, I've met some rich people who are some of the

nicest, kindest, godliest people on the planet, and some poor people who are

just as great. And I bet you have too. It's not about the money. You're not bad if you have some and you're not good if you don't. It's just bricks.

## **SAVING FOR AN EMERGENCY FUND**

There are three basic reasons to save money. First, we save for an emergency fund. Second, we save for purchases. Third, we save for wealth building. Purchases and wealth building are fun, but we can't do any of that until we cover the basics—the emergency fund. This is a savings account set aside and never touched except for emergencies. You'll need to define what makes up an emergency for your family, too. Let me give you a clue: A new leather sofa or a vacation is *not* an emergency!

The emergency fund is your protection against life's unexpected events, and you are going to have a lot of them throughout your lifetime. They're not really “unexpected” if you think about it. You know they're coming; you just don't know when, what, or how much. But you can still be ready.

We already said that Baby Step 1 is a beginner emergency fund of \$1,000. That's just to give you a little wiggle room as you work through Baby Step 2, which is getting out of debt (we'll cover that in chapter 4, *Dumping Debt*). Once you're out of debt, you go back to the emergency fund and fill it up.

### **Baby Step 3: Three to Six Months of Expenses in Savings**

Notice that we're talking about *expenses*, not *income*. The goal here is to figure out from your budget how much it costs to keep your household running for a month. How much would you need to meet all of your obligations and pay your bills if your income suddenly dried up? Then, put three to six months of that in the bank.

### ***Keep It Liquid***

When we get to the investing chapters, we'll talk about liquidity. That's just a fancy financial term for "availability." You want to keep your emergency fund liquid, or available, when you need it. It's for emergencies, right? That means you won't usually have a week to wait for a bank or investment company to release the funds. You need to have instant access to the account.

However, do not think for a second that you can just keep your emergency fund in your regular checking account that you use for gas and groceries. If you mix your emergency fund with your other money, it will vanish. That's a little *too* liquid; it'll leak right out of your account! So you want it available, but separate. You need it off to the side where you won't accidentally dip into it, but where you can get to the money without any headaches or having to depend on banking hours.

I recommend keeping your emergency fund in a simple money market

account with a good mutual fund company. This makes it available through basic check-writing privileges or ATM access while keeping it separate from your regular bank account. This kind of account won't pay a great rate—somewhere in the neighborhood of CD (certificate of deposit) rates—but that's okay. Your emergency fund is there for your protection, not to make you money.

This is where a lot of people, mostly men, get confused. For most people, the full emergency fund is somewhere around \$10,000–15,000. That's a lot of money, more money than most people have ever put in the bank.

Sometimes, math nerds like me will start doing the math and figuring out how much we could be making with a \$15,000 investment in a good mutual fund, instead of just having that much money sitting in a money market account. But the emergency fund is not an investment; it's insurance—and insurance *costs* you money.

### ***Just Fix the Car***

Years ago, I was doing a book signing and a lady came through the line that was, well, *glistening*, as we say in the South. It was the middle of summer, and it was hot outside. You get the idea. I saw her in line a few people back, and she just looked furious. When she finally got up to the table where I was signing, she said, “Dave, I'm so mad. I've been doing this stuff. I've

been through *Financial Peace University*. I've worked my tail off to get out of debt and save up \$12,000 in my emergency fund. And just now, on the way over here, my truck totally broke down and I had to get it towed. It's going to cost \$1,000 to fix it. I'm so mad!"

I looked up and said, "What are you mad about? You've got \$12,000 sitting in the bank. Just fix the car." Her whole face and posture changed. You could see the stress and tension melt off her shoulders. Even though

### JOIN THE CONVERSATION

We finished Baby Step 1 a year ago and have had four major financial crises since then—any one of which would have put us into more debt if we had not already committed to the FPU plan. However, that \$1,000 and the discipline we learned kept us from making the same mistakes over and over.

—Shelly

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she had a full emergency fund, she hadn't made the connection between unexpected expenses and actually having the cash on hand to handle them. A lot of us, myself included, can understand that. Before I figured out how to handle money and my car broke down, I didn't just have a car crisis; I had a financial crisis too. It wasn't just, "My car's broke!" It was more like, "My car's broke—and so am I!" Actually having the money on hand,

ready to go, to just fix the car is an incredible feeling. Even though this lady had done a fabulous job getting out of debt and saving up her emergency fund, it wasn't until she wrote a check for a \$1,000 car repair that she *really* understood what it meant to have Financial Peace.

## **SAVING FOR PURCHASES**

The second basic reason to save money is to make purchases. Since we're not borrowing money anymore, saving up for purchases is kind of a big deal!

### ***The Sinking Fund Approach***

I teach people to save up for big purchases using the sinking fund approach. For example, let's say your dining room furniture has fallen apart so bad that it can't take one more Thanksgiving dinner. No problem—you'll just run over to the furniture store and pick out a new set. If you're like most Americans, you'll find the one you want; pay the price that's on the sticker; agree to a rip-off, 90-days-same-as-cash scheme; sit at the financing desk, signing your life away for an hour; and have your stuff delivered the next day. Problem solved, right? Well, not really.

We'll talk about financing and 90-days-same-as-cash in chapter 6, *Buyer Beware*, but for now, here's the deal. A friend of mine in the financing business told me recently that almost nine out of ten people who take a 90-

days-same-as-cash contract through his company actually *do not* pay off the loan in ninety days. Even if they've been making payments the whole time, as soon as they cross the ninety-day mark, they get charged back-interest dating all the way back to the date of purchase. That interest rate is somewhere around 24 percent. If you were in that deal and carried out those payments an average of twenty-four months, you'd have monthly payments of \$211 and would end up paying \$5,064 for your \$4,000 dining-room set. I don't care how good a deal you think you got on that furniture, you got robbed. You went in without a plan, half on impulse, got stuck in debt for two years, and ended up adding more than \$1,000 to your furniture bill! I've got a better plan. Pay cash. That's pretty old-fashioned, isn't it? Find Grandma's cookie jar and stuff some money in it for a few months. That's how people *used* to pay for things!

Here's how I'd recommend buying that furniture. We'll use the sinking fund approach, which means I'm going to figure out how much I need to save, how long I have to save it, and how much that means I'll need to sock away every month. In the furniture example, if I saved \$211 a month instead of making payments, I could buy that dining room set in eighteen months. You say, "But Dave, \$211 times 18 is only \$3,800." That's right. I've found that if you walk into a furniture store counting out hundred-

dollar bills, you'll get a deal. So ultimately, you'll get that furniture with no debt and you'll save more than \$1,000 on it. That's a good plan.

What if your kids really got this message early enough and applied it to buying cars? Starting with their first car at age sixteen, they could go their entire lives without a car payment. Most Americans can't even fathom that. You could retire a multi-millionaire just by avoiding car payments! Why don't they teach that in school?

## **SAVING FOR WEALTH BUILDING**

The last thing we normally save money for is wealth building. We're going to cover this area in great detail later in chapter 9, *The Pinnacle Point*, and chapter 10, *From Fruition to Tuition*. There, you'll learn all about mutual funds, Roth IRAs, 401(k)s, annuities, college savings accounts, and everything else you need to know about building wealth. For now, we'll just cover some basics.

### ***Discipline Is the Key***

When it comes to saving money and building wealth over the long haul, nothing is more important than discipline. Putting money away every month, year after year, over the course of a few decades is a big deal! If you're twenty-two years old and just starting out in your career, you've probably got more than forty years until retirement! When you're looking



out over a forty-, thirty-, or twenty-year span, it's easy to get distracted and let things creep in and steal the dollars you've marked for saving.

Discipline is hard, it hurts, and it requires sacrifice. Personally, I don't like discipline—but I *love* what discipline produces. When I'm disciplined with my diet and exercise, my body feels better. When I'm disciplined in doing the details in caring for my family and friends, my relationships are better. And when I'm disciplined in managing my money, I actually get to build some wealth and enjoy my money. This is really a biblical principle: “No discipline seems pleasant at the time, but painful. Later on, however, it produces a harvest of righteousness and peace for those who have been trained by it.” [3](#)

Too many people skip the discipline and try to go straight to the enjoyment. That's a recipe for disaster. That's how so many people get hooked on playing the lottery or go broke in a horrible get-rich-quick scheme that falls apart. Wealth building is a marathon, not a sprint. There really aren't any shortcuts. That's why most people don't do it; if building wealth were easy, everyone would be rich!

What if you squeezed an extra \$100 out of your budget every month? If you saved just \$100 a month, every month, from age twenty-five to age sixty-five (your working lifetime) at the stock market average return of 12

percent, you'd retire with more than \$1.1 million! You'd be a millionaire with just \$100 a month! That's pizza and cable money for most people! Now, is it easy to find \$100 in your budget? Sure, most people could figure out how to get an extra \$100 out of their budget. But is it easy to do that every month like clockwork for forty years? No! As I said before, something else will sneak in and try to take away that money. It takes discipline to stick to your goals, but that little bit of discipline will take you a long way.

### ***A Mathematical Explosion***

There's another key to building wealth that can absolutely change your life if you get the concepts early. I'm talking about compound interest. Here's how it works. Say you have \$1,000 in an investment making 10 percent. One year later, you'd have \$1,100 in that account, right? That's your initial \$1,000 investment plus one year of 10-percent growth, which is \$100. So then you'd have \$1,100 sitting in the account for another year at 10 percent, which would grow to \$1,210 during the second year. It just keeps building from there. You'll keep earning 10 percent not on the original investment, but on its *current value*. So every year it's worth more, which means every year you'll earn more. That adds up pretty quickly until eventually, the compound interest just goes nuts. That's a great place to be!

I made this point in my first book, *Financial Peace*, using the example of

Ben and Arthur:

Ben, age nineteen, invests \$2,000 per year compounded annually at 12 percent for eight years until he is twenty-six years old. For the next thirty-nine years, until he is sixty-five, Ben invests not one penny more.

Arthur, age twenty-seven, invests \$2,000 per year for thirty-eight years until he is sixty-five years old. His investment also earns 12 percent compound interest per year. At age sixty-five, will Arthur or Ben have the most money?

[4](#)

Believe it or not, the guy who only saved for eight years with a total investment of only \$16,000 beat the guy who saved for thirty-nine years and invested \$76,000! Ben came out far ahead—\$700,000 ahead—even though he saved fewer years and less money. Why? Because he started earlier. Because of compound interest, Ben's eight-year head start on Arthur pushed him past the \$2 million mark at retirement! See the chart on the next page to see how all the numbers played out.

# BEN vs. ARTHUR

BEN INVESTS	TOTAL	AGE	ARTHUR INVESTS	TOTAL
2,000	2,240	19	0	0
2,000	4,749	20	0	0
2,000	7,558	21	0	0
2,000	10,706	22	0	0
2,000	14,230	23	0	0
2,000	18,178	24	0	0
2,000	22,599	25	0	0
2,000	27,551	26	0	0
0	30,857	27	2,000	2,240
0	34,560	28	2,000	4,749
0	38,708	29	2,000	7,558
0	43,352	30	2,000	10,706
0	48,554	31	2,000	14,230
0	54,381	32	2,000	18,178
0	60,907	33	2,000	22,599
0	68,216	34	2,000	27,551
0	76,802	35	2,000	33,097
0	85,570	36	2,000	39,309
0	95,383	37	2,000	46,266
0	107,339	38	2,000	54,058
0	120,220	39	2,000	62,785
0	134,646	40	2,000	72,559
0	150,804	41	2,000	83,506
0	168,900	42	2,000	95,767
0	189,168	43	2,000	109,499
0	211,869	44	2,000	124,879
0	237,293	45	2,000	142,104
0	265,768	46	2,000	161,396
0	297,660	47	2,000	183,004
0	333,379	48	2,000	207,204
0	373,385	49	2,000	234,308
0	418,191	50	2,000	264,665
0	468,374	51	2,000	298,665
0	524,579	52	2,000	336,745
0	587,528	53	2,000	379,394
0	658,032	54	2,000	427,161
0	736,995	55	2,000	480,660
0	825,435	56	2,000	540,579
0	924,487	57	2,000	607,688
0	1,035,425	58	2,000	682,851
0	1,159,676	59	2,000	767,033
0	1,298,837	60	2,000	861,317
0	1,454,698	61	2,000	966,915
0	1,629,261	62	2,000	1,085,185
0	1,824,773	63	2,000	1,217,647
0	2,043,746	64	2,000	1,366,005
0	2,288,996	65	2,000	1,532,166

**BEN STOPS  
SAVING!**

**ARTHUR  
STARTS LATE**

**\$2,288,996**

WITH ONLY A \$16,000 INVESTMENT!

**vs.**

**\$1,532,166**

ARTHUR NEVER CAUGHT UP!

The trick is, though, that you have to start *right now*! No matter how young or how old you are, all the time you have is all the time you have. You have to start where you are. So if you're under twenty-five, stop thinking you have all the time in the world. And if you're over forty, do not let regret keep you from getting this stuff going now. You have plenty of time left! It's never too late to start moving in the right direction!

## **YOU NEED A PLAN**

You see, building wealth isn't really a mystery. We said it was hard, but that doesn't mean it's hard to *understand*. The stuff I teach is actually pretty simple intellectually; it's just *hard to do*. That's because it's easier to just drift through life without a plan, wandering from one thing to another. To really build wealth, though, you've got to know where you're going and have the discipline to do the things it takes to get there.

### ***Turning the Key***

If you don't make a plan for your money, someone else will. Let me tell you how it happens. Say you fight to pull your \$1,000 emergency fund together this month. You take that \$1,000 to a bank and open up a new account. By doing that, you have turned the key on the most sophisticated and well-funded marketing machine in history. That machine is called the financial institution. They spend more money promoting their product than any other

service or product in history, and they do a very, *very* good job selling their stuff.

After you open that new account, you can expect to see a brand-new Visa card magically appear in your mailbox. It will probably come with a note that says something like, “Welcome to the family! We’re excited about building a strong relationship with you!” Just what you want, right? A relationship with a bank. No thanks.

You look through the paperwork and see that your new card has an 18-percent interest rate on purchases, and you say, “Nobody lends money at 18 percent! How stupid! They must be crazy to think I’d borrow their money at 18 percent.” And if you’re like most Americans, you’re saying this *as you put the card in your wallet*. And you think, *What a dumb idea. I’ll tuck this plastic away in my wallet, though, just in case there’s an emergency*.

And then over the course of the next month, the car breaks down.

Emergency! And then the kids are screaming for a pizza. Emergency! And then you realize that your children grew over the summer and need some school clothes. Emergency! And then some kid has a birthday and needs some hunk of plastic from the toy store or he won’t feel loved. Emergency!

All this stuff just rolls over and over, and a month later, the bill comes in the mail and your jaw drops. You yell through the house, “Who put \$1,000

on the Visa? That was just for emergencies! What did we spend \$1,000 on?" You look around, but you don't see a new HD television or a new computer. You don't have a new wardrobe, and you didn't take an exotic vacation to Hawaii. That \$1,000 just disappeared. Life happened, and you didn't have a plan.

Guess who had a plan? Visa.

Here's what really happened in that situation. You took your \$1,000 and loaned it to the bank at 6 percent (if you got an excellent savings rate). Then, the bank *loaned you back* your \$1,000 at 18 percent. That's their business, and as I said, they are excellent at selling it to you.

### ***It's Up to You***

This book is going to challenge a lot of what you might have always thought about money. It will certainly challenge everything you see and hear in the world about how to handle your finances. If you really dig in and do this stuff, you're going to be totally weird because you'll be going against the cultural current. You'll be taking a stand and practically every store, business, ad campaign, and most of your friends will try to convince you why you're crazy.

I dealt with that a long time ago, and I'll be honest: that kind of pressure doesn't bother me a bit. After my wife, Sharon, and I went broke and

started putting the pieces of our financial life back together, some things got clear in my head for the first time. I thought, *Who was it that taught me to borrow money?* It was my broke finance professor. I was talking about that with a friend once, and he said, “You know, a broke finance professor is like a shop teacher with missing fingers!” That’s when I decided that I wasn’t going to take financial advice from broke people anymore.

The bottom line is this: “Normal” in North America is broke. “Normal” is using credit cards, taking on a lifetime of car payments, and spending more than you make. “Normal” is living on a razor’s edge, where any unexpected emergency can send you into panic mode. I finally figured out that I don’t want to be “normal.” I want to be weird!

Today, my motto is, “If you will live like no one else, later you can live like no one else.” If you make some sacrifices, inject some discipline, and get intentional about winning with money, the future is wide open. You’ll be blown away at the opportunities you’ll have to serve and bless other people, and you’ll be amazed at what life feels like without worrying about money all the time. It’s a great place to be. If you’re ready to find out for yourself, then keep reading. We’ve got a lot of ground to cover together.

## **WE DID IT!**

I had heard of Dave Ramsey from my father, but that was the extent of it.



When my husband and I decided to get married, our pastor was in one city, we were in another, and the wedding was in another—so getting together for pre-marriage counseling was not an option! Because we couldn't get together with our pastor, he recommended that we take Dave's *Financial Peace University* class in place of his traditional counseling, so we went to FPU at a local church.

My husband was still in school, and I had been working full-time at a low-paying job for a little over a year. At that time, we had roughly \$3,500 in credit card debt. Between September and December, we were able to pay off all of the debt and even put \$5,000 in savings! *How?* you may ask.

At the age of twenty-three, we did what most newlyweds would not have done. I remember it like it was yesterday. We were driving to our honeymoon with a bag full of cards stuffed with \$3,000 of gift money. We decided that Dave would want us to use that cash to pay off the credit card debt—so we did. We didn't blow it like most kids our age would have, but I can *guarantee* we would have if we weren't in the middle of taking his class. *Financial Peace University* really helped us get a handle on where in the budget we had opportunities to save, and eventually those savings added up—BIG TIME!

Meredith Jacksonville, TX

## **KEY POINTS**

Saving must become a priority.

You must save for an emergency fund, major purchases, and wealth building.

Decide and agree with your spouse on what qualifies as an emergency.

## **QUESTIONS FOR REFLECTION**

What keeps you from saving?

Why is Baby Step 1 the hardest step for many people? Is it that way for you?

Why do so many people use debt (credit cards, loans, home equity, etc.) for emergencies?

What does it mean to say that money is amoral? How is money like a brick?

What would constitute a financial emergency for your household? How would you cover such an emergency today?

## **2**

## **RELATING WITH MONEY**

### **NERDS AND FREE SPIRITS UNITE!**

Money and relationships mess with each other. Bad relationships cause money messes. Money messes cause bad relationships. In fact, if you don't get your money under control, this one area can destroy your whole life! We

need to really dig in here and see what money does in a marriage, what it does for single adults, how we need to talk to our kids about money, and how money can bless or wreck our friendships and every other relationship we have.

## **MARRIAGE AND MONEY**

There's an old story about former president George H. W. Bush and his wife, Barbara, that I just love. Heck, I'm pretty sure it's not really true, but I still love it. As the story goes, George and Barbara Bush were in the presidential limo driving back from an event. They were driving on some out-of-the-way back roads, and the driver had to pull over for gas. The old service-station owner popped out of the door with his mouth gaping open at the sight of the president's limo sitting in front of his gas pump.

When Mrs. Bush saw him through the window, she jumped out of the car, ran up to him, and gave him a great big hug. They talked for a few minutes, and then she got back in the limo. She turned to President Bush and said, "That's Harry, my old high school boyfriend!"

George got a big grin on his face, leaned back, and said, "So let me get this straight. If you had married him, you'd be the wife of a gas-station attendant. But instead, you married me, the most powerful man in the world, and you got to be the First Lady of the United States."

Barbara looked back at him with a sparkle in her eye and said, “Oh George, don’t be silly! If I had married him, *he* would be president!” Truly, the woman makes the man—at least in my house!

Seriously, if there’s one thing I’ve learned after more than two decades of marriage and after counseling thousands and thousands of married couples, it’s this: marriage is hard! It takes a lot of time and hard work to get on the same page with a spouse. I mean, let’s face it—I’m a pretty hardheaded guy. I make decisions fast and want to keep going forward without slowing down. This train is *moving*, so when you see me coming, you’ve got to get on board or get off the tracks!

My wife, Sharon, is different. She processes things a lot slower and always considers everybody’s *feeeeeeelings* before she can pull the trigger on a decision. If I’m not careful, I’ll just roll right over her when it’s time to make a decision. It’s not that she doesn’t want to contribute; she just goes about the whole process differently than I do.

### ***Opposites Attract, But . . .***

Every marriage consists of two totally different people. My friend, the late Larry Burkett, used to say, “Opposites attract. If two people just alike get married, one of you is unnecessary!” One of you is burning up; the other is always cold. One of you is always late; the other is early for *everything*.

One of you is a spender; the other is a saver. Those differences may be cute when you're dating, but they start to look a little different after a few years of marriage.

But those differences also add a lot of fun and spice to a healthy marriage—as long as you agree on the important stuff. Marriage counselors tell us that couples who can agree on four major issues have a much higher probability of a successful marriage. Those four things are religion (shared household faith), in-laws (boundaries, influence, etc.), parenting, and money. If you keep these four pillars standing strong in your marriage, you'll have a leg up on most of the couples you know.

Couples who aren't on the same page with their finances are destined for trouble—a *lot* of trouble. In fact, money fights and money problems are the number-one cause of divorce in North America. A Stanley and Markman study found that money is the one thing people say they argue about most in their [marriage.1](#) Another study by Citibank found that 57 percent of divorced couples said money fights were the primary reason they didn't get [along.2](#)

But if money has the potential to be the worst area of our marriages, then it has the same potential to be the *best* area of our marriages. Agreeing on money unlocks so many doors to a strong marriage because money is rarely

## JOIN THE CONVERSATION

We now have a plan and that's such a wonderful thing! I'm even couponing to help save more money. Some people think that's weird of me to do, so I guess I know I'm on the right track!

—Andrea

[www.facebook.com/financialpeace](http://www.facebook.com/financialpeace)

*just* about money. How we handle money in our relationships involves power, priorities, dreams, passions, and ultimately, our value system. The checkbook is just a little window into the marriage. You can look through it to see how you're doing in most other areas. If you've got a weak marriage, it will show up in your money. If you've got a rock-solid marriage, it will show up in your money.

So if you're married and you have money fights, congratulations—you're normal. But if this is a real problem area for you, then you've got a huge opportunity to improve the relationship and maybe even reach agreement with your spouse about money. And seriously, once you agree on your money and how it impacts every part of your life, how much else is left to really fight about?

### ***Men, Women, and Money (Overgeneralizing)***

After working with so many married couples over the years, I've found that

men and women approach money in very different ways. I'm overgeneralizing here; of course, not all men and women will act this way, but there are some patterns that have proved themselves over and over. Men, for example, use money like a scorecard and lose self-esteem when money problems pop up. Women, on the other hand, experience fear—my wife actually says *terror*—when money problems come up, because money represents security to them. This is why guys usually resist saving up three to six months of expenses as an emergency fund. Just having that much money sitting around doing nothing seems like a waste to men, but their wives will likely tell you it's the most important key to their financial plan. And gender differences don't end with money. Author and counselor Dennis Rainey of FamilyLife explains that women are traditionally more verbal than men. I've heard him say men usually speak about 10,000–20,000 words a day, while women speak 30,000–50,000 words per day—with gusts up to 125,000! That's why a lot of guys come home from a busy day at work, hit the sofa, and don't say a word. They can't. They've already used up their quota.

In his book *Making Love Last Forever*, Gary Smalley lists five key differences he's noted in male and female behavior throughout his many years of research and counseling:

1. Men love to share facts; women love to express feelings.
2. Men connect by doing things; women connect by talking.
3. Men tend to compete; women tend to cooperate.
4. Men tend to be controlling; women tend to be agreeable.
5. Men tend to be independent; women tend to be interdependent. [3](#)

As I said, this is all an overgeneralization, but I can tell you without a doubt that this is how it is in my house!

### ***Nerds, Free Spirits, and Budget Committee Meetings***

So if men and women are so different, who is supposed to do the financial decision making in a marriage? BOTH! Handling money is not an either/or proposition; it's a both/and. Sure, one person is going to have a natural bent toward budgeting and working with numbers, but the decision making has to be done by both partners.

Every marriage has what I call a Nerd and a Free Spirit. Nerds like doing the budget, because it gives them control, and they feel like they are taking care of their loved ones. The Nerd doesn't have to wear a bow tie and a pocket protector; he or she just has a natural bent toward organization and numbers. A little spontaneity is okay with the Nerd; they just need to plan it out ahead of time!

The Free Spirit, on the other hand, isn't nearly as detailed. They see the