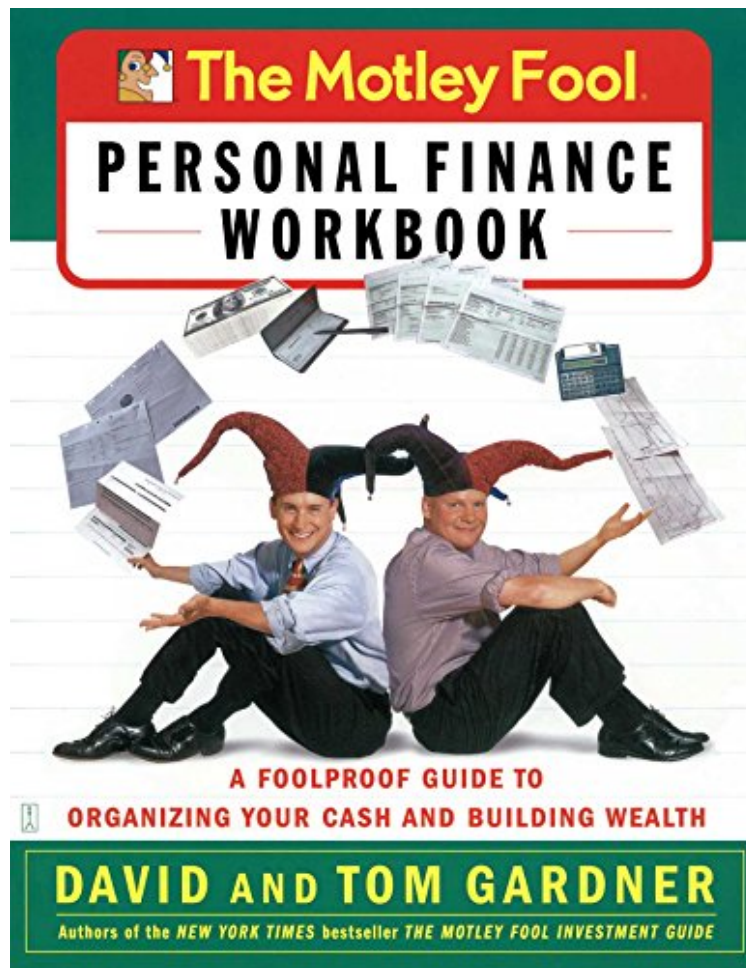


(Mobile ebook) The Motley Fool Personal Finance Workbook: A Foolproof Guide to Organizing Your Cash and Building Wealth

# The Motley Fool Personal Finance Workbook: A Foolproof Guide to Organizing Your Cash and Building Wealth

David Gardner, Tom Gardner  
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David Gardner, Tom Gardner : **The Motley Fool Personal Finance Workbook: A Foolproof Guide to Organizing Your Cash and Building Wealth** before purchasing it in order to gage whether or not it would be worth my time, and all praised The Motley Fool Personal Finance Workbook: A Foolproof Guide to Organizing Your Cash and Building Wealth:

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from A-Z.

With easy-to-follow, quick-witted exercises, you'll discover all the ways that money touches your life -- from saving and spending to insurance to retirement. Pencil your way to financial security! What would it be like to know that you were making the very best decision for every dollar you spent or saved? Can you imagine balancing your budget by the beginning of next month? Wouldn't it be great to know whether a pro's advice is right for your situation? How valuable would it be to have a customized financial plan that would serve you for life? What you hold in your hands is the first step to achieving all of the above. Whatever your income, lifestyle, or financial concerns may be, The Motley Fool Personal Finance Workbook will help you put more power into every dollar. Like a financial global positioning system, The Motley Fool Personal Finance Workbook will show you exactly where you stand right now and the most direct path to where you want to be. The Motley Fool's legendary smarts and math-made-easy will show you: -How to create a workable budget that gives you money and a life -The smartest (and fastest) way out of debt -How to set priorities to guide your financial decisions -The savviest ways to finance big purchases like a home or an education - Tactics for eliminating stress when saving for retirement -And much more... Hip, funny, and immediately useful, The Motley Fool Personal Finance Workbook is an indispensable hands-on guide for anyone looking to make the most of his or her money.

From Publishers Weekly The latest volume by investment gurus and Motley Fool founders David and Tom Gardner veers away from stocks and speculation into the much more pedestrian subject of money management. Well known for their humor as well as for their financial savvy, the Gardner brothers keep the rough ground of money basics lively. (We know it's boring, the authors say; "that's why we've hidden crisp five-dollar bills throughout the pages.") The dreariest of money matters--budgets, debt, insurance and taxes--are addressed in reassuring prose, illustrated with charts and further detailed with checklists and goal graphs. Even reluctant readers will be coaxed to face financial realities through the Gardners' encouragement and the helpful worksheets. Readers won't find dazzling new insights on how to hire a financial planner or buy big-ticket items, but they will find very friendly advisors who crack jokes as they dispense wisdom. The substance here is well-tread ground, as it should be, but the style is straight from the Fool's funny bone. Copyright 2002 Reed Business Information, Inc. About the Author David Gardner learned from his father how to invest, and with his brother, Tom, started The Motley Fool in 1993 with a mission to educate, amuse, and enrich. Today, the Fool works to empower individual investors, reaching millions every month through its website, premium services, podcasts, radio show, newspaper column, and more. With Tom they have coauthored several books, including *You Have More Than You Think*, *Rule Breakers*, *Rule Makers*, and *The Motley Fool Investment Guide for Teens*. Tom Gardner learned from his father how to invest, and with his brother, David, started The Motley Fool in 1993 with a mission to educate, amuse, and enrich. Today, the Fool works to empower individual investors, reaching millions every month through its website, premium services, podcasts, radio show, newspaper column, and more. With David they have coauthored several books, including *You Have More Than You Think*, *Rule Breakers*, *Rule Makers*, and *The Motley Fool Investment Guide for Teens*. Excerpt. copy; Reprinted by permission. All rights reserved. Chapter 1: Your Money and Your Life SIXTY-SECOND GUIDE TO YOUR MONEY AND YOUR LIFE Let's kick things off with a one-minute preview of Chapter 1. We have to admit that this first chapter may seem frivolous. But play along with us for a few pages before we get down to business. We need you to figure out who you are before you can really excel at this workbook. Remember, the next sixty seconds is just an overview of the different projects we'll work on together in the chapter. So here's where we're headed. 0:60 Take time out for self-reflection. In general, would you call yourself a saver? A spender? A procrastinator? A realist? An avoider? An Abstract Expressionist? Reflect on the past and how you handled financial matters (and how they were handled -- or mishandled -- by the role models in your life). 0:51 Define in concrete terms how your spending matches up with your priorities. When you make a big purchase, are you able to enjoy the item, or do you feel guilty? Do you spend money on smaller, less meaningful things because you feel you'll never be able to afford the ones you really want? 0:44 Go on a spending spree...in your imagination, that is. Put that credit card down. Instead, commit to paper your list of goals -- at least, those that will require capital. Don't dwell too much on the details; just write down a mega-master list of things you want to achieve (such as home ownership, a debt-free existence, a trip to China). 0:23 Pick the really important ones. Scour your mega-master list of goals and pick out the top five that best match up with your priorities. Select only the ones that really count. That's what we'll be working toward in this book. 0:16 Make them real. Put together a plan to figure what it'll take to achieve those five goals -- what each will cost, when you want them to be completed, and so on. Break each one up into monthly or weekly savings goals and commit them all to paper. 0:03 Celebrate you! Now bask in the glow of self-knowledge and self-actualization. You've completed the chapter, voilagrave;. bull; bull; bull; There's the synopsis. Now let's get started. KNOW THYSELF Who are you? And what does that say about the way you use money? Think about it: Are you the sort who tirelessly searches out the four cents that won't let you balance your checkbook? Or do you believe, against all evidence, that there's money in your account just because there are still checks in your checkbook? The Greek Oracle at Delphi read, "Know thyself." That's the first step in all good money management. We

are all different. We all have unique talents and rare gifts. We all have flaws -- terribly sad but true. The challenge, the great challenge, is to know ourselves and then to adjust our lives accordingly. As this short lesson pertains to money, we'll be laser-focused in this chapter on how your strengths and weaknesses affect your financial circumstance. Money might not be the root of all evil for you. But it may be a hot button in your relationships (a bubbling cauldron, in some cases). It may be a source of worry. It may be a cause for celebration. Or it may hold the clue to your high blood pressure. (If so, eat more leafy greens, shorten your breathing, get eight hours of rest a night, and get a sound financial plan into place.) At the very least, the topic of money has probably given you pause during some uncomfortable experiences. Now remember these moments, briefly. Then proceed.

**YOUR INNER FINANCIAL CHILD** Some of you must be rolling your eyes. My inner child? Hey, we don't want this to sound like daytime talk television. But before we get to crunching the numbers of your financial future, take a step back, just for a moment, and consider your financial history. The legendary Bob Marley put it right: "Don't know your past, don't know your future." To get you started, we asked a couple from The Motley Fool Online to share some dark secrets from their past. In their own words, here are four financial discoveries they've made over the years. Consider this a starter list for your own journey:

**Discovery 1: The past matters.** Shannon and I grew up very differently. Unfortunately, it took us a while to realize how much this matters in our relationship -- especially when it comes to how we handle money as a couple. When you don't acknowledge the importance of where you come from, it comes back to haunt you in the form of agitation and misunderstanding.

**Discovery 2: People react differently to their pasts.** My father worked at Walt Disney World his entire career, and my mom was a homemaker. I never worried that they couldn't pay the bills. Shannon's parents, on the other hand, divorced when he was seven, and his mom was the primary breadwinner. One result is that I'm much more of a short-term thinker in relation to money. I just have faith that everything will work out. Shannon is much more serious and interested in a long-term approach. Ah, how opposites attract.

**Discovery 3: Your approach to money matters is as individual as you are.** One tangible result of our different backgrounds is the varying comfort levels we each have with debt and spending. We got married really young and moved to New York City. What does that spell? Trouble -- in the form of serious credit card debt. Because my parents didn't "believe" in debt, I totally freaked out about our credit card balances. I thought we were going to have to hit the streets. Shannon, on the other hand, seemed pretty comfortable with them. It took a while to develop a common language in this area.

**Discovery 4: Knowing where you're coming from helps.** Shannon values having a secure retirement plan, whereas I value living our dream lives (the specifics of which change as we mature together). Again, developing a common language and really taking in what your partner needs is more than half the battle.

**YOUR RUMINATIONS** Now it's time for your self-reflection. As a warm-up, we present ten questions about money management. Your answers will help set priorities later in this chapter. Be frank. It's okay if you're not the ideal chief financial officer yet.

1. Do you balance your checkbook? (Circle the appropriate answer.) Yes No  
2. Are you a long-term planner? Yes No  
3. When was the last time you really took a hard look at your finances (meaning more than glancing over your account statements)?  
4. On a scale of 1 to 5 (5 being very much), how important are the following?  
Cutting coupons 1 2 3 4 5  
Going to the gas station with the cheapest gas 1 2 3 4 5  
Renting videos instead of going out to the movies 1 2 3 4 5  
Comparison shopping 1 2 3 4 5  
5. How much is too much to spend on...  
Going out to dinner? \$ \_\_\_\_\_  
A gift (for a friend, a significant other, children, a pet)? \$ \_\_\_\_\_  
Vacation? \$ \_\_\_\_\_  
A wireless sterling silver ab buster? \$ \_\_\_\_\_

6. If you were to inherit \$10,000, would it be most important to:  
Pay off debt  
Buy a new car  
Invest the money  
Take a vacation  
Throw an awesome party for your other relatives so that they, too, can see what an awesome and deserving daughter (granddaughter, nineteenth cousin twice removed) you are  
Other \_\_\_\_\_  
7. What are a few comforts you wouldn't want yourself or your loved ones to do without?

8. When do you expect to buy your next car? Will it be new or used?  
9. What are your top three long-term financial goals?  
10. Who shot J.R.?

**ALL ABOUT YOU** Now let's get really personal. What's your ATM PIN? Kidding. Here's our legitimate question: From your past, what primarily has affected the way you approach money? Think about how your family handled financial issues when you were growing up. Reflect on the last time you had to make a big purchase or found yourself even just a bit worried about your financial situation. What do these tell you about yourself? Now list a few of your own financial self-discoveries. This may sound a bit sappy. But remember, our task right now is to help you understand yourself and how you approach money.

**SETTING PRIORITIES** Excellent. You're learning about yourself. You're glowing. Doesn't it feel good to be so self-aware? You can really do this stuff. Stand up from your chair and beam for a minute, Fool. You really are amazing. While most of that's true, let's face it, you haven't done much yet. Now let's get planning. We need to figure out your priorities. Provide answers to the following questions. List five uses of your money that have made a significant positive difference in your life.

1. \_\_\_\_\_  
2. \_\_\_\_\_  
3. \_\_\_\_\_  
4. \_\_\_\_\_  
5. \_\_\_\_\_  
List five uses of your money that have added little to your quality of life.

1. \_\_\_\_\_  
2. \_\_\_\_\_  
3. \_\_\_\_\_  
4. \_\_\_\_\_  
List five uses of your money that will affect your life positively a decade or more from now.

5. \_\_\_\_\_ List five uses of your money that will affect your life negatively a decade or more from now. 1. \_\_\_\_\_ 2. \_\_\_\_\_ 3. \_\_\_\_\_

4. \_\_\_\_\_ 5. \_\_\_\_\_ Kinda interesting, no? We don't often take the time to really think about the role money plays in our lives, beyond putting a roof over our heads and funding the purchase of a polka CD collection without rival (speak for yourself on that one). As you look over what you jotted down, you'll begin to get a sense of where you'd like to redirect your money.

**SETTING GOALS** Having set your priorities, you now need to form some goals. Making the above dreams a reality is the mission of this book.

**BIG GOALS** Setting major goals and priorities means identifying the one or two things you really want to strive for -- things that keep you excited and motivated. The best goals are the ones that you love so much that the steps required to achieve them become easier. It turns into a game. So when you delay buying a new car, instead of thinking, "My Yugo is the oldest one on the block!" you think, "By driving this old carriage for a few more years, we'll be able to afford a down payment on that cabin in the mountains."

**BABY STEPS** Being able to achieve a lofty goal such as a new house or a wedding or a beveled-edge Corian countertop won't happen overnight. It requires smaller tactics that help you save money for your monster goal. The best tactics are:

1. Specific: Define exactly what you're going to do differently. For example: "I will increase my 401(k) participation from 5 percent to 10 percent of my salary per year to save for retirement faster." Or "I will limit shoe shopping to one pair every two months," rather than just "I will buy fewer shoes."
2. Realistic: You know yourself. You know what spending patterns are "must haves" versus "nice to haves." We won't ask you to deny yourself every new polka band release, if that's what makes you happy. Instead, we'll acknowledge the realities of temptation and have you allocate a certain amount of money to spend on your burgeoning CD collection.
3. Well known: Goal-setting theorists (yes, there are such people!) have long known that people are more likely to meet goals if they've made them public. Those with the best chances of quitting smoking, for example, have told all their friends and family about their dream. Tell your friends so they can help you meet yours. Put goal "check-ins" on your calendar. Use online "nag" services to remind you via e-mail (e.g., "Have you paid an extra \$100 on your credit card bill this month?").

**FOUR TACTICS FOR THE GOAL-AVERSE** What if you've tried this all before? You are awful with money. You spend like royalty but are paid the wages of a chimney sweep. Here are four tactics for people who hate goal setting.

1. Set up (many) automatic deductions from your paycheck -- to your 401(k), a government savings bond program, a brokerage account.
2. Start tracking all of your expenses, even if only for one month. You'll probably end up curtailing them just to save yourself the bookkeeping.
3. Specifically budget "play money" and create an envelope with that play money in cash. Give yourself permission to freely spend that money -- you'll feel rich! You'll likely spend less than if you had no budget. Remember, when the envelope is empty you need to stay home. Read a book. Or reread this workbook.
4. Leave your credit card and checkbook at home when you go out. Make cash your king. When you have to pull out actual dollar bills, you may find that you're more reluctant to part with them.

**DAYDREAM BELIEVER** Now close your eyes and daydream. Where are you? What are you doing? Sitting on the beach, drenched in the proper SPF (30 or higher, please), drinking something with rum in it, and giggling? Maybe you're raising a family in a quiet setting, leaves rustling high in the trees around your patio, kids playing sweetly together (dream on!)? Or maybe you're raising a glass of bubbly with \_\_\_\_\_ (fill in the name of your heartthrob here)?

Here are some other common goals. Depending on where you are in your life, one of your big goals may be:

- bull; Buying a home (or a vacation house)
- bull; Getting out of debt
- bull; Having/adopting a child
- bull; Living on one salary
- bull; Retiring early
- bull; Sending a child to private school/summer camp/college
- bull; Starting a business
- bull; Getting a new car
- bull; Giving money to those in need
- bull; Getting a new chin
- bull; Changing careers
- bull; Taking a dream vacation (from the aforementioned children)
- bull; Going to graduate school (to show off the aforementioned new chin)
- bull; Remodeling the kitchen

**GOAL-SETTING FREE-FOR-ALL** Now it's your turn. Jot down all the goals that you can think of, large and small: Nice job! Most likely, not all of them are realistic. (Well, you might suddenly become U2's background vocalist. But let's play it safe for now and assume you won't be hanging with Bono anytime soon.) Achieving your goals will mean focusing on one or two now, then setting new ones. If you try for everything at once, you'll likely end up with nothing. (We don't want that.)

In a perfect world, your spending-to-saving ratio would directly align with what you list as your priority goals. Now, we want your mind to be focused on this stuff. So flip back and find your answer to the question "What are the comforts you wouldn't want yourself or your loved ones to do without?" And see what your list looked like after you pondered this one: "List five uses of your money that will affect your life positively a decade or more from now." Those are some of your priorities. They'll vary greatly from person to person. But whether you're looking to buy a stone house in the Scottish highlands or pay off a credit card, the only way to get there is through some planning. Dreadful thought, we know, yet true. So, let's keep on at this. A few more questions for you to answer:

Q: Do you have debts to pay off? How important is it to pay off those debts as soon as possible? For example, you probably want to pay off credit card debt as soon as possible, but you may choose not to put extra money toward your mortgage. As a general rule of thumb, debts with interest rates in the double digits should be paid off before you do anything else.

Q: Are the necessities taken care of? These could include establishing a six-month cash emergency fund, fully funding an IRA or 401(k) account, getting life insurance policies, etc. The reason? Well, for instance, without an emergency fund your

savings plan could be completely thrown off course by an act of God. Q: What major life events are you expecting in the next three to five years? Is your income likely to change in any big ways -- going back to school, changing careers, becoming a stay-at-home parent, retiring? REAL GOALS FOR REAL PEOPLE We hope these questions have focused your attention on just a few goals. Now it's time to write 'em down. Think carefully before committing them to the blanks below, though. Why? Because we're going to spend much of the rest of this book trying to help you finance these dreams. Name your top five dreams that demand capital. Also, pick a date by which you want to meet that goal. TEN TIPS ON PUTTING MONEY INTO PERSPECTIVE

1. Remember that every financial decision you make is emotionally informed by your past. Strange but true.
2. Regularly take time to think about how you handled past financial situations. Don't simply dwell on your distant past, but analyze decisions you made even just the previous week. What would you do differently if you had it to do all over again? Now call your therapist.
3. Keep your most important goals in the forefront of your mind.
4. If it helps, carry around a list of your goals so that with every dollar you spend your cash is directed towards the things that truly bring you joy.
5. Make sure you have both short- and long-term goals. It's hard to work toward achieving your dreams if the payoff for all of them is years away.
6. If you don't mind the cleaning lady psychoanalyzing your lifestyle, post your list of goals -- including the dates you want to achieve them by -- on the fridge or your bathroom mirror.
7. Do a reality check, especially if your financial situation changes. If your goals are unrealistic, you're setting yourself up for disappointment.
8. Regularly review your list. Life happens, and goals change. We won't think you're flaky.
9. Do some extra research. If you want to buy a chacirc;teau in Provence or a French mastiff puppy, chat with someone who already has done so. Get a sense of what it'll take to get there.
10. Call your best friend and brag about how in touch you are with your inner financial child.

ONE LAST THING: YOUR BIT-BY-BIT BUDGET ENTRY In the Introduction (you didn't skip it, did you?) we promised to help you build a master saving and spending plan to serve you for life. We also promised not to overwhelm you with it all at once. So here's your first painless assignment. Turn to the Bit-by-Bit Budget on page 223 in Chapter 12. Now transfer your five main goals to the first column of the Bit-by-Bit Budget under "Expenses." Please use pencil, though. It's not that we think you're fickle; it's just that your goals may change as you work your way through this book. (Okay, that means we do think you're fickle.) In the coming chapters, we're going to figure out how much money you have coming in and how much is going out to cover your necessary expenses. Then we'll divide up the leftovers (we're crossing our fingers right along with you here) to help you pay off any debts and start socking away dough to reach all of your goals. Copyright copy; 2003 by The Motley Fool, Inc.