1

Step One: Count All Your Worth

Ah, to have *enough*. Enough money to pay the bills. Enough to have a little fun. Enough to put something aside for the future. Enough to feel some real confidence. Sounds good, doesn't it?

Have you ever wondered why one person can manage just fine on $40,000 a year, while another person is in big trouble on $140,000? The second person isn't spending wildly on trips to Vegas or bathing in grande lattes at Starbucks. And the first person isn't wearing 20-year-old hand-me-downs. So what's up?

The difference comes down to one simple, but very powerful, idea: Get your money in balance.

What is balance? You've heard of a balanced diet, with enough of each of the basic food groups. Balancing your money follows the same general idea. The right amount of this, the right amount of that, and not too much of any one thing—and you have the formula for a sustainable, lifetime plan. When your money is in balance, you spend just the right amount on each of your major expense categories. You allocate a certain amount to what you *need,* like your house and your insurance. That's a little like the meat and potatoes—the stuff that fills your belly and keeps you from going hungry. You also allocate a certain amount to savings, so you can get ahead, each and every month. That's like your vitamins and your exercise program—it's the stuff that helps you get stronger and healthier, so you'll be better off tomorrow than you are today. And last comes the money that's just for fun. This is for a trip to the movies and a new set of speakers (and an occasional ice-cream cone!), because life is about more than just boiled vegetables.

All Your Worth balances your money into these three categories:

1. Your Must-Haves (the things you need)
2. Your Savings (the money you save)
3. Your Wants (the stuff that's just for fun)

This is just like a diet where you look at your carbs, your protein, and your fat intake. In fact, it is even simpler than a diet, because we won't get into complex versus simple carbohydrates or polyunsaturated fats. There are just three categories, and every dollar that you spend falls into one of these three categories.

We'll explain each category in more detail later on, but for now understand this: Getting these three categories right will be the key to getting your money into balance. It's that straightforward.

If something gets out of balance, you can spot the results pretty fast. If you start to go hog wild on potato chips, the effects will show up on your hips. Likewise, if you blow too much on designer clothes or a brand-new luxury car, you'll feel the pinch in your wallet right away.

When you get your money into balance, your money worries fade away. It's like a balanced diet: If you know you should have four servings of meat, you don't worry about whether it's okay to order the roast chicken. Likewise, if you know it's okay to spend a certain amount on fun stuff, you don't have to constantly ask, "Can I really afford this?" You already know what is okay, so you can relax and enjoy your money.

> Balancing your money
> is the key to having enough.

Step One will help you master the principle of financial balance. By the end of this step, you'll know where you're starting from and where you need to go. As any good general will tell you, knowing exactly where you're headed is half the battle—and this is only Step One! So let's get started.

The Must-Haves: Why the Old Advice No Longer Applies

You may already have a sense of where your spending is out of balance, in which case this will be pretty easy. On the other hand, you may not have a clue—and that's okay too.

Later in this chapter we'll use a step-by-step process to help you determine your exact financial balance. For now, let's get a quick sense of your starting point.

SELF-TEST: ARE YOU HEAVY ON THE MUST-HAVES?

We start with the Must-Haves, which are the heart of your Balanced Money Plan. Later on, we'll give you exact guidelines for figuring out what counts as a Must-Have, but for now, just think of these as the basic bills you need to pay each and every month like your mortgage and your car payment. Respond with True or False to the following statements:

I worry about having enough money to cover my regular bills, like my electric bill.	True	False
It seems like most of my money goes to things I can't control, like rent or car payments.	True	False
By the time I pay my big bills, there is hardly anything left over.	True	False

(continued)

The cost of living for just the basics–housing, car, insurance–seems way out of reach.	True	False
I only spend money on things I *need*, but there still isn't enough.	True	False
Even though I never buy anything extravagant, I don't have anything in savings.	True	False
I can't think of anything in my budget that I could really cut back on.	True	False

How many statements did you agree with? If you marked "True" more than once, you are probably heavy on the Must-Haves. For you, the old financial advice no longer applies.

What do we mean by "the old advice"? We bet you have heard it before. Your mother-in-law, some expert on TV, or your significant other says something along the lines of, "You're in trouble because you buy too much stuff. If only you wouldn't buy those designer jeans (or restaurant meals or satellite TV) all your problems would go away." The advice is nearly always followed by that self-righteous little shrug, the one you can see even over the telephone, the one that seems to say, "If only you weren't so superficial and silly. Oh well, I guess not everyone is as enlightened as I am." Sound familiar?

We're going to let you in on a secret. For an awful lot of folks, that old mother-in-law advice is just plain *wrong*.

But before we explain why the old advice is wrong, we need to start by saying that it *used to be right*.

Remember how we told you back on the very first page of this book that the rules have changed? This is one of those rules. Back when your parents were young, it was a pretty reliable rule that if they held regular jobs and lived regular lives, their money was pretty much in balance. Why? *Because your parents just couldn't spend all that much on their basic monthly bills.* If they earned a middle-class income, the odds were good they could afford a middle-class home without much stretching—and they could buy that home on Dad's salary alone. Your folks didn't have to hire a whiz-bang accountant to figure out what they could afford. All they had to do was walk down to the local bank to apply for a mortgage. If your parents tried to buy a home that cost more than they could manage, the bank just wouldn't lend them the money. Mom and Dad and their friends didn't have to worry too much about getting in trouble because it just wasn't *possible* to take on a mortgage that was more than they could afford.

The same held true in other areas. If your dad wanted to buy a car that was more than he could really afford, he couldn't get the car loan. If your mom wanted to rent an apartment that was out of balance with your family's income, the landlord wouldn't rent it to her. If your parents wanted to take out a loan—say, for an addition on the house or just to make ends meet for a while—they had to meet with a banker, face-to-face, to explain why they wanted the money. The banker would have asked for pay stubs, tax returns, and all kinds of financial records, so he could evaluate the prospects for repayment. And if things looked out of balance, the banker would have rejected the loan.

As a result, in those days it was really, really rare to spend too much on the basic monthly bills. Why? It's not because your parents' generation was smarter or thriftier or "more in touch with what matters." No, things were different in your parents' day *because the rules were different.* Your parents lived in a time when the government strictly regulated the banking industry. The amount of interest a lender could charge was tightly limited, so banks had to be very careful to lend money only to people who could comfortably pay them back. As a result, in your parents' generation there were no "zero-down" mortgages. Almost no one was "house poor," spending too much on a home or apartment. There were no offers on TV to "cash out" your home equity. No one had a car payment the size of Texas, and car leases hadn't even been invented.

The rules were different in other ways. Tuition at State U was less than $1 a day, so no one started out life with a six-figure student loan. Once someone found a job, if they worked hard, they could pretty much count on keeping that job until it was time to collect a gold watch at retirement. No one trembled in fear over the prospect of mass corporate layoffs that swept out even the hardest-working employees, and "downsizing" referred to the size of a lady's dress, not the size of the workforce. The boss generally picked up the tab for health insurance and a pension, so no one spent half their salary on medical care, and not too many people fretted about getting by after retirement.

So when your parents say that all you need to do to be secure is to work hard and lay off the T-bone steaks, keep in mind that *they were once right.* When they got married, it was a pretty safe assumption that if someone earned a decent living, drove a typical car, and lived in a regular neighborhood, then the money would work out just fine. Back in their day, if someone was struggling financially it was probably because they were blowing too much cash on silly stuff.

But the rules of the game have changed.

The old guarantees no longer exist. In today's world, you *can* get a mortgage that is too big for you—and the banks will *help* you do it. You *can* get a car lease that chews up half your income. You *can* wind up with a student loan bigger than some home mortgages. And as sure as the sky is blue, you can rack up credit card debt without blinking an eye, even if you don't have 50 cents to make the payments.

Does that mean it's impossible to keep your money in balance today? Of course not! But it means that you can't take things for granted the way your parents could. *You* have to understand the new rules. Because unlike your parents, you can't count on the mortgage lender, or the car dealer, or the landlord, or your boss, or even the so-called financial experts to protect you. You have to protect yourself. And that starts by getting your money in balance.

Brett and Brandi: Never Enough

Just ask Brett and Brandi Caldwell. The day I (Elizabeth) met Brandi, I thought she would wear a hole right through her shirtsleeve where her right hand kept rubbing her left arm. She explained that she and Brett both work hard—really hard. Brett takes overtime whenever he can. They don't go to movies, and they never eat out. They haven't taken a vacation since their honeymoon in Mexico, which was nearly five years ago.

They were desperate to get out of debt, but whenever they started to pull out of the hole, something *always* went wrong. The baby got another ear infection that she just couldn't shake. Brett's car broke down. The insurance came due. Every month, the credit card balance got a little bigger, as they fell a little further behind. Confused and hurt, they found themselves feeling a little suspicious of each other. If they weren't spending extravagantly, what in heaven's name was *wrong*?

They tried scrimping even more. Brandi started cutting the kids' hair, and Brett climbed up on the roof to replace the flashing around the fireplace. They turned down the heat and told the kids to put on sweaters. Brandi scoured the newspaper for coupons, joking that she would make a casserole out of three-day-old roadkill if it were on sale at the grocery store.

Nothing seemed to help. There was never *enough*.

When their 4-year-old was invited to a birthday party, Brandi cruised the aisles at the discount store. But Tessa was desperate to have the $18 princess tea set for her "best friend ever." In the car on the way home, the little girl refused to look at the $4.88 plastic doll that Brandi had bought over Tessa's tearful protest. After a long silence, she asked her mother quietly, "Why can't we ever do anything *nice*?" Brandi later told me:

> That's when I lost it. I was bone tired. Tired of always coming up short. Tessa is such a good kid, and she just wanted a stupid birthday present for her best friend and I didn't have the money. I started to cry and I couldn't stop. It was so bad I had to pull off the road . . . I'm not a crier. I'm really not. But she's just a little girl.

Brett and Brandi came to my office laden with files and bills, ready for a marathon session of let's-figure-out-the-money. After we went over some numbers, I leaned back and told them they were spending too *little* on the extras. They were stunned. I explained that their real problem had nothing to do with birthday presents or haircuts; their real problem was that they were spending way, way too much on their basic monthly bills. Brett and Brandi had bought a "starter" home, even though they didn't have two nickels for a down payment, which meant they were paying for two mortgages (to make up 100% of the home price). Then there were payments on the new SUV, which Brett had bought to replace the pickup when the transmission died. They had signed up for the most expensive health insurance that Brett's company offered and they were still making payments for a new washer and dryer. By the time they were finished covering the things they *had* to pay for, there wasn't enough left over for a trip to Baskin-Robbins, let alone savings for a rainy day.

The key for Brett and Brandi was to focus on the big picture and to figure out where their money was out of balance. They needed to concentrate their energies on the big-ticket items, and to forget about the little things for a while. It took some coaxing, but Brett finally agreed to sell the monster SUV, replacing it with a six-year-old Taurus. Brandi buckled down and reshopped the homeowners' insurance and the car insurance, and she signed up for the lower-cost HMO. Brandi laughed that she got so carried away with shopping for insurance bargains that Brett started calling her the Money Queen. Brett jumped in with, "Seriously, this is hard work and Brandi is the best." They aren't in the clear yet, but Brett and Brandi are sleeping well for the first time in years—and they have enough for a nice birthday present every now and then.

Does Brett and Brandi's story sound familiar? Maybe you never spend a nickel on anything you don't absolutely *need,* and yet you barely make ends meet. If that's where you're starting from, don't worry—you are not alone. In the new rules of money, millions of people have gotten caught in the same situation. Keep reading; we'll show you the way out.

In the Hole: Too Much on Wants

Of course, maybe your problems are nothing like Brett and Brandi's. You may be one of those people whose basic costs are pretty well under control, but you still find it tough to put anything away at the end of the month.

SELF-TEST: DO YOU OVERSPEND ON WANTS?

Respond with true or false to the following statements:

When I go shopping, I'm never quite sure how much I can afford to spend on things.	True	False
When I see something I really want, I just buy it, even if I don't have the money.	True	False
I never know where all the money goes.	True	False
I buy things, and then after I get them home I worry that I couldn't really afford them.	True	False
Worrying about money sometimes takes the pleasure out of outings that are supposed to be fun.	True	False
When holidays or birthdays come up, I'm not sure how much I can afford to spend.	True	False
I probably spend too much on clothes, restaurant meals, and/or going out for fun.	True	False
I work hard, so I buy the things I deserve.	True	False

How many of these statements did you agree with? If you marked True more than once, you are probably overspending on your Wants.

You may have stumbled into another new rule of money: Even as it has gotten easier to get in trouble with your basic monthly bills, it has *also* gotten easier for your spending on "extras" to get out of control.

In your parents' day, when your mom wanted to buy something she didn't really need, like going out for dinner and a drive-in movie, she had to wait until she had enough to pay for it. Why? Not because she was especially prudent or thrifty. She had to wait because she had no choice. If she didn't have the money, she couldn't buy what she wanted. No cash, no movies. Period. When your mother was young, Visa and MasterCard were not flooding mailboxes with "preapproved" sky's-the-limit credit cards for every man, woman, child, and family dog. There were no all-purpose credit cards for ordinary middle-class folks, so your mother bought only what she could pay for on the spot.

Today it is so amazingly *easy* to get out of control with the stuff you don't really need. Your mother probably kept all her spending money in her wallet. If she wanted to know if she could afford to see the new Charlton Heston flick, all she had to do was open her purse and start counting. But in this age of plastic, you need a calculator just to figure out whether you can afford a hamburger. How much did you charge on the Visa? How much on the MasterCard? How much did you put on the debit card or the gas card? And how much did your mate charge? Sheesh! Who can keep up with all that? It is so much *easier* just to slap down the plastic, and wait until the end of the month to find out how it all adds up. And that's when the worry creeps in. You hope you will be able to pay it all off, but you fear there just may not be enough.

Monica, a 26-year-old native of Birmingham, Alabama, knows what that worry tastes like. She would shake her head at a story like the one Brandi and Brett tell. She lives in a modest apartment—comfortable, clean, and cheap. She has the usual things—cell phone, DVD player, two cats who think they own the apartment. Nothing exotic. She's a dependable person, the kind who holds the door for strangers and works late at the office when a deadline hits. She sang in choir throughout high school and college, and she still loves to sing at church and in community groups. A bit insecure about her weight, Monica dresses carefully and has her hair professionally cut and colored. She remembers everyone's birthday, and she gives little presents in between times to co-workers, to family, to neighbors—small, funny things that made her think of them. She's a soft touch for kids selling stuff for school fund-raisers, and she can always be counted on for a donation to an animal refuge or a homeless shelter.

Monica tried budgets, the same way she tried diets. She would keep track of every nickel and cut out all the extras, but it never lasted. Something *always* came up—a friend from college came to town, her brother's car broke down. Besides, she could never quite figure out the point of writing down everything she spent. What was she supposed to do with all those lists? So Monica rocked along, never taking more than a nervous sideways glance at her bills.

On Mother's Day she bought her mom a corsage and made reservations at a nice restaurant. Her mom and dad had a great time, and when the bill arrived, Monica snapped it up with a flourish—"for all you've done for me." Her mother smiled and patted her hand. A few minutes later the waiter returned, the corners of his mouth turned down. "Perhaps there has been a mistake, but the card was refused." Monica jerked the offending piece of plastic out of his hand and dived back into her purse. As she fumbled through her wallet, more than half a dozen credit cards spilled across the table. Her dad was dumbstruck by the number, but her mother was quicker. She reached out and picked up the Visa that had landed closest to her, and handed it to the waiter. "No, not that one!" Monica almost shrieked. Monica's mother looked stunned—why on earth was her daughter yelling at her? And then the realization hit her like a slap in the face—this card was also over the limit. Everyone was quiet as Monica paused and looked intently at each card, almost as if she were considering which tooth to have drilled. After some hesitation, she handed a card to the waiter. It passed, and the family filed out in silence. When they got into the car, her mother began tentatively, "Monica, I don't want to interfere—" Monica cut her off quickly. "Don't. Just don't. I'll work this out."

The morning after Mother's Day, Monica was ready to go on another crash diet—and she wanted our help with the details. We knew it wouldn't last more than a week or two, and then she would be back in the same spot. We offered Monica something easier—and far more lasting. We offered to help her get her money balanced for life.

In a little over an hour, we helped Monica create a plan that would leave her with a sizeable portion for Christmas presents and movies with her girlfriends, while still making sure she had plenty left over to start paying off her credit card balances and building up some savings. When we checked in with Monica a few months later, she was still working her way out of debt, but she said she'd never felt better. "I feel light as a feather now. I didn't realize how much those bills weighed."

One Step Forward, One Step Back: Not Saving Enough

Any rich person will tell you: It's not how much you make, it's how much you keep. Saving is what protects you from that rainy day, and it's what makes your future brighter. Saving is the road to wealth creation.

Of course, you know this. And so you work hard. You don't buy the designer coffee beans. Your house is not the finest in the city—or even on the block. And yet, does it seem that you can't quite get ahead? Is your savings plan a "next month we'll do it" because this month never works out?

SELF-TEST: DO YOU STRUGGLE TO SAVE?

Respond with True or False to the following statements.

I work hard, but I still don't save much.	True	False
I carry a balance on my credit cards most months.	True	False
I don't have a plan for regular saving.	True	False
I worry about having enough for retirement.	True	False
If I lost my paycheck for three months, I don't know what I would do.	True	False
When I have to deal with small emergencies (e.g., car trouble, extensive dental work), I have to use my credit cards or pay the bill off over time.	True	False
I don't have a real plan for saving for college for my children.	True	False
I owe money to a friend or loved one.	True	False

When I make a major purchase, like a new sofa or a dishwasher, I need to pay in installments.	True	False
I try to save, but I worry about whether it's enough.	True	False

If you marked "True" for more than one of these questions, you are struggling to save enough. Maybe you are putting something away, but you worry about whether it's enough. Or maybe you're caught on that endless get-ahead-fall-behind treadmill, where you never create any *real* wealth.

You may think that building savings is just a matter of "buckling down" and using your "willpower." That's certainly the impression you get from a lot of financial experts (and from your mother-in-law!).

But the truth is, having enough money for savings has little to do with willpower. Instead, it is about *balance.*

At the beginning of this chapter, we told you that there are only three categories for your money: Must-Haves, Wants, and Savings. If you spend too much on one thing, then something else will be shortchanged. This leads to a simple but very powerful insight: *If you aren't saving enough it is because you are spending too much on your Wants or your Must-Haves (or both).*

If you're struggling to save, you should find this extremely comforting. Why? Because once you get your Must-Haves and your Wants into balance, you will start saving *automatically.* You can do it without breaking a sweat. No more worrying about whether you're saving enough. No more "buckling down." Just a simple, automatic plan for saving a certain portion of your paycheck, every single month.

Keep reading to determine exactly where your money is out of balance, so you can start developing your own plan to create some real wealth.

The Balanced Money Formula

For Brett and Brandi and for Monica and for everyone else who can't seem to get ahead, the key is the same: Get the money balanced—

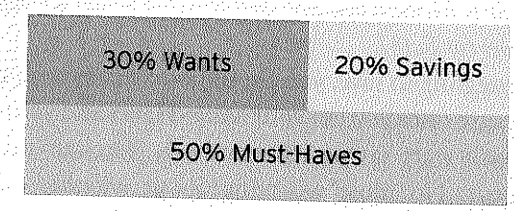
enough for the Must-Haves, enough for Wants, and enough for Savings. Brett and Brandi and Monica were tilting in different directions, but they were all out of balance and in danger of crashing financially. No matter how hard they scrambled, they just couldn't get caught up, couldn't build toward the future, and couldn't stop worrying. But once they saw what was wrong and brought their money into balance, they started to get ahead. They learned that they finally could have *enough*.

That's how the Balanced Money Formula works. There is always enough for each of the three categories. Must-Haves, Wants, and Savings each follow a preset formula, so that they are always balanced against each other.

So what's the formula? Here it is:

- Must-Haves: 50%
- Wants: 30%
- Savings: 20%

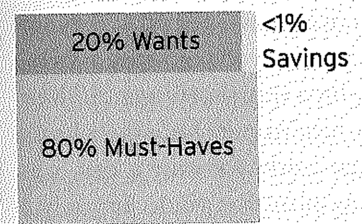
THE BALANCED MONEY FORMULA



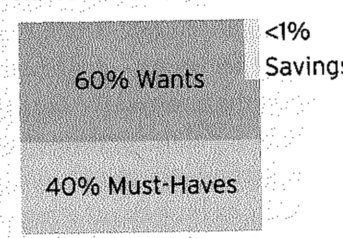
Simple, direct, and effective. Here is the bull's-eye, the center of a lifetime plan for your money.

Testing yourself against the Balanced Money Formula is a little like checking your cholesterol against the recommended levels. It helps you flag when something is wrong, and it shows you where you need to take a closer look at your money choices. When Brett and Brandi compared their spending to the Balanced Money Formula, it became immediately obvious that they had a Must-Have problem. They were spending nearly 80% of their money on Must-Haves, so getting their Must-Haves under control was their path to balance. Monica was in a very different place. She had committed just 40% to her Must-Haves, but her Wants were eating up more than 60% of her income. For her, getting control of the Wants was the key to success. Different problems, but they both come back to balance for the solution.

Brett and Brandi: Out of balance on Must-Haves



Monica: Out of balance on Wants



Is it ever all right to deviate from the 50/30/20 formula? Yes, there are special times in life when you may shift away from the basic pattern. If your income dips—say, your hours are cut or you take a few months off work to care for a sick family member—then nearly all your money would go to Must-Haves, while you would cut back on Wants and Savings until things got back to normal. And there can be special circumstances that may cause a permanent shift away from the Balanced Money Formula. An independent contractor supporting a family might decide he needs to put even more into Savings to protect against the times when business is slow. Or an older couple with a passion for travel and a fully paid mortgage might choose to go light on the Must-Haves so they could go heavier on the Wants. We will talk later about special situations, but for now keep this idea front and center: The Balanced Money Formula is the right place for most people most of the time, and it is a good place to aim for in your lifetime money plan.

Why 50% for Must-Haves?

That's the first question most people ask. The Must-Haves get only half your money? Half? How can that be? Are we saying you live on only half your money? Not exactly. We're saying you should limit the *hard-*

core commitments to *at most* half of your income. Remember, Must-Haves are the things you will have to pay no matter what.

But you may still wonder, if these are Must-Haves, why don't they claim 60%? Or even 80%? After all, how can it be wrong to spend money on things you *Must Have*?

Why 50%? There are three simple reasons.

1. It is sustainable. Anyone can live on rice cakes—for a day. Anyone can hold her breath—for fifteen seconds. And anyone can spend *everything* on the rent and the car payments—for a very short time. *All Your Worth* is not about getting straight with your money for a month; it's about getting straight *for life.* A diet that works for only a day is as worthless as lipstick on a pig. A spending plan that works for only a month is worth even less.

Spending 50% of your income on Must-Haves is sustainable. It leaves you with plenty of money for the rest of your life. Enough for fun, and enough for the future—enough to last a lifetime.

2. It is safe. When everything is going well, you should have money for what you Must Have *and* for what you Want. But let's face it, over a lifetime, things don't always go according to plan. Sometimes the rain falls and you don't have an umbrella.

Money balance is the key to keeping you safe when things go wrong.

Suppose you get laid off. That's no fun to think about, but we all know it could happen. If your Must-Haves take only 50% of your income, then how would you fare? A lot better than you might think. With Must-Haves at 50%, your unemployment check could cover your needs for several months. (In most states, unemployment insurance covers roughly 50% of your previous salary, up to certain limits.) Knowing you can cover the basics should take some of the terror out of the pink slip! Likewise, if you were in a serious accident and you couldn't work, most disability policies would cover about half of your salary, and so your basic needs would be met. And if you are married, keeping your Must-Haves at 50% means that you could get by on only one paycheck for a while.

Keeping your Must-Haves down to 50% gives you something that

is so incredibly valuable: *flexibility.* If your Must-Haves creep higher—say, to 70 of 80%—there just isn't much room to maneuver. There's not any space to scale back, nowhere you can cut if you need to. But if you can get by on 50% of your income, you have the flexibility to cut back on your spending whenever you need to. You are in control. You can manage an unexpected expense like a car accident or a leaky roof. You'll be okay if your boss cuts your hours. If you keep your Must-Have expenses under 50%, you can stay light on your feet, ready to roll with the punches.

3. It has been tested over time. We go back to 50% for the Must-Haves because that number worked for Americans for a long time. A generation or so ago, most families spent half (or less) of their incomes on the Must-Haves. As a result, most people were able to put money away, each and every month. Unlike today, saving was the norm. We go over the details in *The Two-Income Trap*, but the bottom line is this: Bankruptcy rates were low, foreclosures were rare, and few people even knew what a repo man did for a living. Getting rich, little by little, was commonplace; people did it every day. People also *worried* less—a whole lot less. They knew they could make it to the end of the month, and they knew they had plenty of money for a rainy day. So they slept easier and smiled more. Not a bad model for us to learn from today!

Why 30% for Wants?

Why 30% for Wants? Because you deserve some space where you can relax and enjoy yourself! This is what life is all about, the right-now reward for all your hard work.

This is the place for all the treats and extras, the things that give life spice. A new set of speakers, plane tickets to Grandma's, aerobics classes, Christmas presents, and on and on. These are bought with "fun money," the free money set aside for your Wants.

Unlike the Must-Have category, which is very restrictive in what gets included, Wants is a totally open field. Maybe your fun money goes to Duran Duran CDs and Kevin Costner films. Maybe you prefer origami lessons and Swedish massages. Maybe you think other people's Wants are boring or dumb or icky, while your Wants are cool, sensitive,

EXAMPLES OF WANTS

Cable TV	Movies	Madonna CD
Lite beer	Dinner at Olive Garden	T-bone steak
Cleaning service	Babysitter for a night out	Trip to Six Flags
Haircut	Purple nail polish	Dog grooming
Pair of Nikes	New hamster	Birthday present
Home computer	Car wash	Soccer camp
New sofa	Deep-tissue massage	Pot of begonias
Gap T-shirt	Save the Whales donation	Espresso machine
Elks Lodge dues	Karate lessons	*People* magazine
Krispy Kreme	X-Men video game	Tattoo

or socially responsible. Be that as it may, the fact remains: *You can spend your fun money on anything you want.* Anything at all; it doesn't matter one bit. If you want to spend it piercing your belly button and playing the slots in Vegas, we won't raise an eyebrow.

The fun is almost unlimited in choices. Dresses or Ding Dongs, dog treats or daffodils—whatever strikes your fancy. There is only one rule: The Wants category has a lid—and the lid is clamped down tight. There is no limit on how you spend fun money, but when it is gone, it is truly gone. No fudging around the edges. No borrowing against next month's fun money. No nibbling out of the Savings. You can safely spend this much, but no more.

> You can spend your Wants money on anything that strikes your fancy, so long as you stay within 30% of your income.

A spending cap can sound so dreary, full of denial and no-no-no. But this cap is all about liberation, not deprivation. When you know

that it is okay to spend because the limits have been worked out, then you really can enjoy your money.

Setting aside a specific amount for your Wants is the key to breaking the cycle of crash-diet budgeting. It puts an end to those fits of good intentions when you suddenly declare you Must Clamp Down On All Extra Spending Immediately. Talk about the road to misery! It's like telling yourself that since you need to lose weight, you Must Never, Ever Eat Anything But Raw Vegetables. It's impossible to live like that for very long, so either you deny yourself all the time and feel lousy, or you splurge and feel guilty. Either way, you are perpetually caught between the two sides to the trash compactor: misery from constant denial and guilt from having fun. You always feel bad about your money and, since you're never quite sure how to get caught up, you don't get any closer to a real solution to your problems. The Balanced Money Formula helps you break that cycle.

By figuring out *now* what is a Must-Have and what is a Want, you make it very easy to follow the golden rule of financial responsibility: *Pay your Must-Haves first.* The Wants should never, ever compete for money with your Must-Haves. In other words, when everything goes well, there is money for Must-Haves and Wants. But if something goes wrong, the Wants are the first thing you cut. There is no money for a trip to Las Vegas or a new set of speakers until the car payment and the rent are paid. You already know this, but saying it out loud today makes it a lot easier to cut right to the chase should the need ever arise. If that rainy day ever comes, you'll know right where to head for shelter.

The Balanced Money Formula helps you create a prominent place for the money you spend on your Wants. No guilt, no worry, just fun. It's grounded in reality, because it starts with what you earn each month. It's safe, because you spend it *after* you've set aside enough for your basic needs. And it's worry-free, because you've given yourself 100% permission to spend it. You'll be surprised how much more fun this spending can be.

20% for Savings–Are We Kidding?

Savings comes at the end of the Balanced Money Formula, rather than at the beginning. That isn't because Savings isn't important. It is! Savings comes at the end so you know *how* to find the money to save. *All Your Worth* makes Savings really, really easy. Think about the formula: 50% for Must-Haves and 30% for Wants. That means that the 20% for Savings is automatic; it just happens. Once you get the plan in place and you bring Must-Have and Want expenses into line, you will have your 20% left over for Savings. No need for a Herculean "we have to tighten our belts so we can save for a house (or the kids' college or whatever)." No boom-and-bust bank account. Just a simple, steady, month-by-month plan to build your wealth.

So why 20%?

So you can stop worrying

Maybe you've felt it. The rush in the pit of your stomach when you hear the pinging sound in your car, and you wonder how you'll ever pay the mechanic. The tightness in your chest when the plumber tells you it will be $185 to fix the shower. The rock-hard knots in your back when you realize that the check you mailed to the electric company will probably bounce.

These are the feelings of not having any Savings. And when you start to save—when you really sock it away, month after month—these feelings stop. You can put these feelings in a box and mail them to the moon, because they won't be with you anymore.

Setting aside 20% of your income will put some money in the bank *fast*. You will build a cushion that is there when you need it. This cushion will let you end—once and for all—the worry over life's little financial emergencies. It will take a lot of the sting out of things that go wrong, because you will know that you can manage. When you have some money in the bank, you can *relax*. In other words, Savings isn't just about living better tomorrow—it is about living better today.

So you can pay off your past

If you are like most Americans, you're probably carrying a balance on your credit card. And then there are those old medical bills, and maybe an IOU to your sister. Your debts worry you, and you know you should pay them off. But where do you find the money?

Your 20% for Savings will go toward your future, but it will also go toward paying off your debt. With 20% for Savings, you know exactly where the money to pay off your debts will come from. No more hold-your-breath-until-Visa-is-paid. And no more credit card balances that linger for years! Just a rock-solid plan for you to pay off all your past debts. Fast. Because it's time to get on with building your future.

So you can grow older in comfort

You may want to spend your golden years learning karate, or writing the great American novel, or just fishing with the grandkids. No matter what your dreams are, *All Your Worth* will help you save enough to spend those years in comfort and dignity. According to the smartest economists out there, that takes a *minimum* of 10% of your income to get ready for retirement.

The Balanced Money Formula earmarks 20% for Savings so you will have enough to save for retirement *and* have plenty left over for all your other dreams.

So you can build riches to last a lifetime

When you get your money in balance, you start building a powerful habit. You create a pattern of saving, month in and month out. And that's the real secret to wealth creation. It doesn't come from sudden, heavy-duty lifting. Instead it comes gradually, a dollar at a time. It's a little like staying in shape. You don't run 100 miles one day a year; you run a few miles, each and every week. And so *All Your Worth* shows you how to put aside 20% of each and every paycheck so you can start building real wealth, one dollar at a time.

How Does Your Money Stack Up?

Okay, the moment has arrived. You are about to do something most people have never done: take stock of your money.

Are you feeling a little nervous about this? Does it sound like it might help, but it may be a little hard? Okay, let's pause for a minute and go back to something we said earlier: No one can live a real life counting every penny. No one can have any fun if every smoothie and every new shoelace has to be recorded in some journal. That isn't living. And we won't ever ask you to do that.

Instead, we're going to ask you to do something far more interesting—and far more powerful. We want you to get the big picture on where you are spending your money. A big, one-time snapshot, so you can answer the question once and for all: Where is your money going? We'll do this once, and then we'll help you put the insights you gain into a plan that will work day after day.

It is time now, to figure out how your money adds up. So take out a pencil and get going!

Getting Started: What You Make

Your earnings are the backbone of your lifetime Money Plan. To calculate "What You Make," enter all the money that comes in on a regular basis in Worksheet 1. For most folks, this is just a month's worth of your (and your partner's) take-home paychecks.

WORKSHEET 1. AFTER-TAX INCOME	
Income	
Monthly income, after taxes (Include child support, tips, and all other sources of income. If income is variable take the average of several months.)	$ ______

HELP FOR WORKSHEET 1

What if my income varies from month to month? If your income varies, just do your best to estimate what comes in on average. You may want to calculate the average across several months, so you can account for the ups and downs. Or you can pull out last year's tax return, and divide your total income by 12.

What if my taxes aren't deducted from my check? Estimate the taxes you will pay at tax time, and deduct them from your regular monthly income. If you need help, look at last year's tax return.

What if I get extra income from a side business or from working overtime? Estimate what you take home on average (after taxes, of course), and add it in with the rest of your income.

What if my employer deducts health insurance premiums from my check? If your employer deducts health insurance premiums, enter in your total income *before* those deductions are taken. (The same goes for deductions for disability and life insurance.)

What if my employer contributes to a retirement plan or pension? Add the amount of your employer's contribution in with your total income. (If the contributions are made once a year, just take the annual amount and divide by 12.) Technically, these contributions aren't part of your take-home paycheck, but they build toward your lifetime Savings, so we want to be sure to count them now.

What if I can't get an exact number? Just do your best! The point here is to get a reasonable estimate of your after-tax income, so you can get started balancing your money. There won't be a team of accountants knocking on your door, so relax!

The Basics: Your Must-Haves

Before you tally up your Must-Haves, let's get clear on what they are. The list is surprisingly short: A place to live, utilities, medical care, insurance, transportation, and minimum payments on your can't-escape legal obligations. This is the core, the amount that you must pay every month, in good times and in bad.

Where did this list come from? We put forth three simple guidelines to decide what qualifies as a "Must-Have":

1. Could you live in safety and dignity without this purchase (at least for a while)?
2. If you lost your job, would you keep spending money on this?
3. Could you live without this purchase for six months?

The first two questions force you to look at what really matters. If you lost your job and had to live on a tiny unemployment check, you would still pay your mortgage. You wouldn't (we hope!) go on a trip to Disneyland.

The third question is for those things that seem like Must-Haves, but really aren't. Consider a basic example: clothing. Unless you live in a nudist colony, you "must have" clothes to step outside your door. But the odds are you have a closet full of clothes. Would you *like* a new pair of shoes? Sure. Do you want to walk around in those old lime-green pants? No. But *could* you wear your old shoes and green britches and still be warm and safe for another six months or so? We bet you could.

Are we saying you should never buy new clothes or CDs? Of course not. We're just saying that this category, the Must-Haves, is only for the necessities. A place to live, because you need that for your basic dignity (and because you've made a long-term legal commitment to a lease or mortgage). Insurance and medical care, because you need those to stay safe and healthy. Car payments so you can get where you need to go, and an allowance for gas for your regular back-and-forth. Child care may be another Must-Have, if you need it to get a paycheck. And your can't-escape legal obligations, like student loans, child support payments, and anything you've signed a long-term contract for.

"Wait a minute!" you might be saying. "What about my credit cards?" If you are like most Americans, you are probably carrying a balance on your credit cards. Because this situation is so common we're going to treat payments on your credit cards differently. We know

they're a legal obligation that you "must" pay. But the goal of *All Your Worth* is not to keep making minimum monthly payments forever; the goal is to get rid of these debts altogether. So leave them out of the Must-Haves; they will go in a separate category later on.

Putting food in the right category is also a bit tricky. Obviously you "must have" food to live. On the other hand, if you're like most of us, you could probably cut way back on the amount you spend on food. You could stop eating out, stop buying beer and frozen dinners, and live on beans and rice (or something similarly cheap) if you really had to. So food isn't a fixed obligation the way your mortgage or car payment is. This means you have to think of food as straddling two categories: A small amount to cover your basic nutritional needs should go with the Must-Haves. All the rest—the restaurant meals, the beer and soda, the PowerBars, and the T-bone steaks—fits in the Wants category.

Now it is time to calculate your Must-Have Score. Enter all of your monthly Must-Have expenses in Worksheet 2.

WORKSHEET 2. YOUR MUST-HAVES

Housing	
Monthly housing cost (rent or mortgage)	$ ________
Utilities (average of last three months' bills for gas, water, sewer, electricity)	$ ________
Basic phone service (not including extras like call waiting or DSL)	$ ________
Homeowners' or renters' insurance (If you pay this annually, take your total premium and divide by 12. If this is included with your mortgage payment, then enter 0 here.)	$ ________

(continued)

WORKSHEET 2. YOUR MUST-HAVES *(continued)*

Property taxes (If you pay this annually, take your total bill and divide by 12. If this is included with your mortgage payment, then enter 0 here.)	$ ________
Medical Care	
Health insurance (If your employer provides your insurance, then enter the amount that is deducted from your paycheck. If your employer pays the full premium, then enter 0 here.)	$ ________
Monthly total of what you pay out of pocket for recurring medical expenses (e.g., regular prescription drugs, medical supplies)	$ ________
Transportation	
Monthly car payment or lease payment	$ ________
Car insurance (If you pay this annually, divide your bill by 12.)	$ ________
Gas, average monthly expense	$ ________
Other transportation costs to get you to work (e.g., parking, bus, or subway fare)	$ ________
Insurance	
Monthly payments for other insurance (e.g., life insurance, disability insurance, long-term-care insurance)	$ ________

Food	
Basic food needs (USDA rule of thumb: $180 a month for a single adult; $650 for a family of four)	$ ________
Legal Obligations	
Student loan (monthly payment)	$ ________
Ongoing contractual obligations (Enter monthly bill for anything that you have a long-term contract for, such as cell phone, gym membership, child care, satellite TV, appliance payments.)	$ ________
Other ongoing legal obligations (e.g., child support or alimony payments)	$ ________
Total	
Total Monthly Must-Haves	$ ________
Must-Have Score	
Must-Have Score = Total Monthly Must-Haves ÷ After Tax Income (from Worksheet 1) × 100	$ ________ %

HELP FOR WORKSHEET 2

Where should I put my credit card payments? Don't worry about credit card payments yet; they will go in another section.

I hire an occasional babysitter or enroll my kids in after-school activities. Does this go with the Must-Haves? If you've signed a long-term contract, then it's a Must-Have. Likewise, if you need the child care so you can earn a paycheck (or look for a job), then it is a Must-Have. But if it is something your family *could* live without, then it's a Want.

I spend a lot more than $180 a month on food! The goal is to give yourself a basic budget to cover your essential food needs; you're not trying to record what you actually spend every month.

I'm still making monthly payments for my washer/dryer. Where does that go? Monthly payments for appliances, furniture, and anything else that you've signed a contract for go under "Ongoing contractual obligations" in the Legal Obligations section.

Sometimes I pay extra on my mortgage. Does that go here? No, we will have a place for extra payments later on.

I pay my cable bill every month; where does that go? Since you *could* live without cable TV (we hope!), it doesn't belong with the Must-Haves (unless you signed a long-term contract, it goes with Legal Obligations). Assuming you could cancel cable TV whenever you want, it should go with the Wants, which we will cover later on.

I took a home equity loan to pay off my credit cards. Where does that go? Monthly payments on your home equity loan or second mortgage belong with your housing costs.

What about Christmas and birthday presents? I have to get my kids a gift! These are not regular monthly expenses. And if you lost your job, this is probably something you wouldn't spend money on (or at least not very much money). So it belongs with the Wants, not the Must-Haves.

The last line in Worksheet 2 shows your Must-Have Score. This is the amount of income you have committed to your Must-Have expenses every month.

Understanding Your Must-Have Score

Under 35%: Must-Have Safety Zone

You are keeping the Must-Have spending under tight control. You have left yourself lots of flexibility, and lots of room to have some fun and to save for the future. Overspending on Must-Haves is not a problem for you. Two gold stars!

35–50%: Must-Have Balance

Your Must-Have spending is well balanced. You have made substantial commitments, but your spending plan can comfortably leave room for Savings and for fun. Good balance—and a gold star!

50–65%: Must-Have Danger Zone

Do you scrimp on the fun stuff, but still find that you're not saving as much as you should? That's because your Must-Have commitments are too big for your income. The warning lights are flashing. Step Three will help you examine your Must-Haves more carefully. We will help you decide where to trim, and show you how to protect yourself if you decide to stay heavy on the Must-Haves. It may seem a little challenging, but don't worry—you don't have too far to go. And once you get your Must-Haves in balance, the hardest part is over. You will be able to relax and start building some real wealth.

More than 65%: Must-Have Crash Zone

Do you find that whenever the car breaks down or Christmas rolls around, you wind up putting everything on the credit card? Do you find yourself worrying over every penny, but still not having enough to pay the bills? Did Brett and Brandi's story sound familiar? It should! You are drowning in big commitments. You are spending so much on your monthly Must-Haves that you hardly have enough left over to buy a six-pack of paper towels, let alone save something for your future. Even the smallest hiccup can seem like a major disaster because there is no extra money to handle anything that goes wrong. You shot through the Danger Zone many warning lights ago, and now you are deep in the highest risk area—the Crash Zone. You need to get your Must-Have spending under control immediately.

Pay special attention to Step Three, which starts on page 70. It is the step that will make the most difference in your life. Some of the choices may be tough, but cutting your Must-Haves is the *only* road to financial peace for you. Don't keep cruising and telling yourself everything will work out. You are driving down the freeway of life at 200 miles per hour with no seat belt, no steering wheel, and no brakes. You need to make some changes before you crash.

Special Circumstances

We understand that you may have special circumstances, and there are times in life when your money may not stay in perfect balance. When a new baby comes or a job disappears, when you go back to school or someone gets sick, things naturally get out of kilter for a while. That's okay; *All Your Worth* is designed to last a lifetime, and that means it is flexible enough to handle the ups and downs in life. Keep reading; in the upcoming chapters, we will talk more about special circumstances and when it may be okay to stretch beyond 50%.

Saving for the Future: Where You Stand

It's time to move on to the next element in the Balanced Money Formula—your Savings. We know this is slightly out of order, but we'll hit the Wants in a little while. For now, it's time to take the measure of how much you are getting ahead (or falling behind).

The Savings category actually includes two kinds of money. The first is all the stuff that usually comes to mind when you hear the words "saving for the future," like money for a retirement account or a regular bank account. The second kind of Savings is debt repayment. You may not think of paying off your debts as saving for the future, but that's what it is. Consider your car loan. If you put $500 in the bank, you'll have $500 in Savings you can call on later. But if you pay off $500 on your car loan, then that's $500 extra (plus interest) you'll have

in your pocket later on. Paying off your debt is another way to get ahead, and it is just as important as putting cash into the bank. Every time you pay down principal on a loan you are building your Savings for the future.

Enter your traditional savings and your debt payment into Worksheet 3.

WORKSHEET 3. SAVING FOR YOUR FUTURE

Part 1: Savings

Traditional Savings	
Monthly contributions to a retirement account (If you make an annual contribution, divide the total by 12. If your employer contributes to a retirement account or pension, include that amount here too.)	$ ________
Other Savings (Enter the total of any other monthly saving, such as a college savings account or a passbook savings account. If your Savings varies from month to month, add up all your Savings from the past year, and divide the total by 12.)	+ $ ________
Debt Payment	
If you make extra payments (beyond the regular monthly payment) to pay off the principal of your mortgage, car loan, or student loan, add up the extra payments you make each month. (If your payments vary from month to month, include all the extra payments for the last year and divide by 12. Do not include credit card payments here; they will go later.)	+ $ ________

(continued)

WORKSHEET 3. SAVING FOR YOUR FUTURE *(continued)*

Part 1: Savings

New Savings

Add up your Traditional Savings and Debt Payment from above. = $________

Part 2: Credit Card Debt

Credit Card Debt

If you regularly carry a substantial balance on your credit card, calculate the amount by which your balance is growing or shrinking: (credit card balance one year ago − today's balance) ÷ 12. If your balance has been increasing, this will be a negative number. If the balance has been shrinking, this will be a positive number. If you don't usually carry a balance, or if your balance is fairly small (less than $200) enter 0. $________

Part 3: Monthly Savings Score

Total Monthly Savings

Total Monthly Savings = New Savings (from Part 1) + Credit Card Debt (from Part 2). (If you entered a negative number in Part 2, you should subtract your Credit Card Debt from your New Savings. If your debt is growing faster than your savings, your Total Monthly Savings number will be negative. This means you are spending more than you are saving.) $________

Monthly Savings Score

Monthly Savings Score = Total Monthly Savings ÷ After-Tax Income (from Worksheet 1) × 100 (Remember, if the Total Monthly Savings subtotal is negative, then this number is negative too.) ________%

HELP FOR WORKSHEET 3

What if the amount I save varies a lot from month to month? Calculate the total amount you saved over the past year and divide it by 12. If you don't know how much you saved over the past year, just do your best to estimate your average Savings over the past few months.

I carry a balance on my credit card. What should I enter in Part 2? The goal is to calculate how much your credit card balance is growing or shrinking every month. Suppose your balance was $900 one year ago, and it is $1500 today:

Balance from one year ago of $900 − current balance of $1500 = −$600

−$600 / 12 months = −$50/month.

In this example, you would enter −$50 next to Credit Card Debt. This means your credit card balance has been rising by an average of $50 each month.

If you don't know your credit card balance from one year ago, just find a statement from a few months ago, and calculate the average amount by which your balance has been rising or falling each month.

I pay my credit card balance most months—do I need to enter anything for my Credit Card Debt in Part 2? No. Only people who carry an outstanding balance month after month need to fill in their credit card balance. If you pay off your balance every month (or almost every month), you can just enter 0 next to Credit Card Debt.

(continued)

HELP FOR WORKSHEET 3 *(continued)*

I took out a home equity loan to pay off my credit card balance. Does that count as Savings? No! You still owe the money, although now you owe it to the mortgage company instead of the credit card company. So your debt is still the same.

My savings and debts are all over the place—I'm confused! The goal here is to help you get a snapshot of whether you're getting ahead or falling behind each month. Don't get too caught up in trying to get this perfect; we'll help you get where you need to go.

The last line in Worksheet 3 shows your Monthly Savings Score. This is the percentage of your income that is going to Savings. This is the amount by which you are getting ahead—or falling behind—on a monthly basis.

Understanding Your Monthly Savings Score

20% +: Super Big Saver

Congratulations, Big Saver! You are socking it away. This keeps you safe, and it will make it possible for you to turn some big dreams into big reality. Set off some firecrackers!

12-20%: Strong Saver

The future is clearly important to you. You are carving out a good-sized slice of your money for Savings, and you've made the future an important part of your day-to-day spending plan. Good job! You are well into the Safety Zone. Keep aiming at 20% for your future, so you get on the road to building some real wealth.

6-12%: Solid Saver

You've made a solid start on putting your future first, and you're way ahead of most of your neighbors. You need to push a little harder, but the good news is that you're already on the right path.

0-5%: Starving Saver

Does it seem that every time you get ahead, something happens to pull you back? Do you want to save, but it just doesn't work out? Does it seem like you have put all your dreams on hold? You know how important it is to save, but you aren't giving yourself enough room for real progress. Now is the time to dig in and push hard on your other expenses, so you can find the money to build your lifetime security. Stick with it—*All Your Worth* will help you start building real wealth.

Less than 0%: In the Hole

Are you falling behind instead of getting ahead? Are you worried that real trouble may be just around the corner? Does it seem like the hole just gets deeper, and there's no way out? This is a scary place to be, and we are going to help you break free. You can find your way out of debt and learn how to *stay* out of debt, once and for all. This is the first step in building a future you look forward to instead of one that makes you want to cover your head.

We know that 20% for Savings may still look like a lot of money. For some of you, it may seem as far off as having cities on Mars—and about as crazy a dream. But don't worry, we're not going to shake a finger and then leave you on your own. Instead, we're going to start by helping you get control over your Must-Haves and your Wants. By the time we're ready to focus on your Savings, the money will already be there!

Spending on Your Wants: Where You Stand

You may be feeling a little nervous about this part, afraid that we'll ask you to account for every last ice-cream cone and pinball game. Well, don't worry. You don't have to run around with a notebook writing down everything you buy. The calculation for what you spend on Wants is the simplest one of all.

WORKSHEET 4. YOUR WANTS

All your money	100%
– Must-Have Score (last line in Worksheet 2)	– ________%
– Monthly Savings Score (last line in Worksheet 3. If this was a negative number, you should *add* it here instead of subtracting.)	– ________%
= Wants Score	= ________%

The last line in Worksheet 4 shows your Wants Score. This is the portion of your monthly income that you are spending on your Wants.

Understanding Your Wants Score

20–30%: Wants in Balance

Spending on your Wants is under control. You don't splurge on things you can't afford, but you don't deny yourself either. This is a sustainable place for a lifetime of financial peace. Enjoy!

Less than 20%: All Work and No Play

You are spending very little on your Wants. You certainly won't get into trouble spending like this on Wants. Even so, you should ask yourself—are you making enough room for fun? Are you keeping your Wants low because of too many Must-Haves? Life needs to have space just for fun; get into a place where there is room for a little more enjoyment.

More than 30%: Splurger

Does it seem like money flies out of your hands, and you're never sure where it all goes? Did Monica's story sound familiar? It should, because your Wants spending is out of balance. Does this mean you need to cut back? Probably. If you are having trouble putting away enough for the future, then cutting back on your Wants is the right move for you. Step Four will show you how.

A Lifetime of Balance

Let's take a last look at how your money compares with the Balanced Money Formula. Pull your results from the earlier worksheets to fill in your Balanced Money Score:

YOUR BALANCED MONEY SCORE

Wants: 30%
My score: ______

Savings: 20%
My score: ______

Must-Haves: 50%
My score: ______

Now you have it all in one place: a summary of where you stand with your money. You can see it all at once—the money you earn, the money you spend, and the money you save is all accounted for. Now you know where you stand.

Remember how we said that understanding the problem is half the battle? Well, now you've won half the battle—and you're only on Step One! It may not feel that way yet, but getting a clear picture of exactly where you are and where you need to go is central to your success.

The following pages will help you get your Must-Haves, your Wants, and your Savings into balance, step-by-step. *All Your Worth* will help you create a lifetime of balance. You know where you are and where you are headed. Now you are ready to take the next steps to seize control over your money and to build a lifetime of riches.

2

Step Two: Escape from the Thinking Traps

You've learned the Balanced Money Formula. You've measured your own money balance. You know where you need to go. Maybe you're all revved up, ready to start making the most of your worth.

And then again, maybe you're developing a big case of the "buts."

But I live in Chicago (or Los Angeles/New York/Boston/name-the-city) where housing prices are through the roof!
But I have kids!
But my wife doesn't work!
But I'm a waiter (or a sales clerk or an actor or a teacher or a minister or a name-the-job)!
But I'm self-employed!
But my credit card balance is bigger than the national debt!
But the economy stinks!
But I'm too old!
But I'm too young!
But I'm married!
But I'm single!