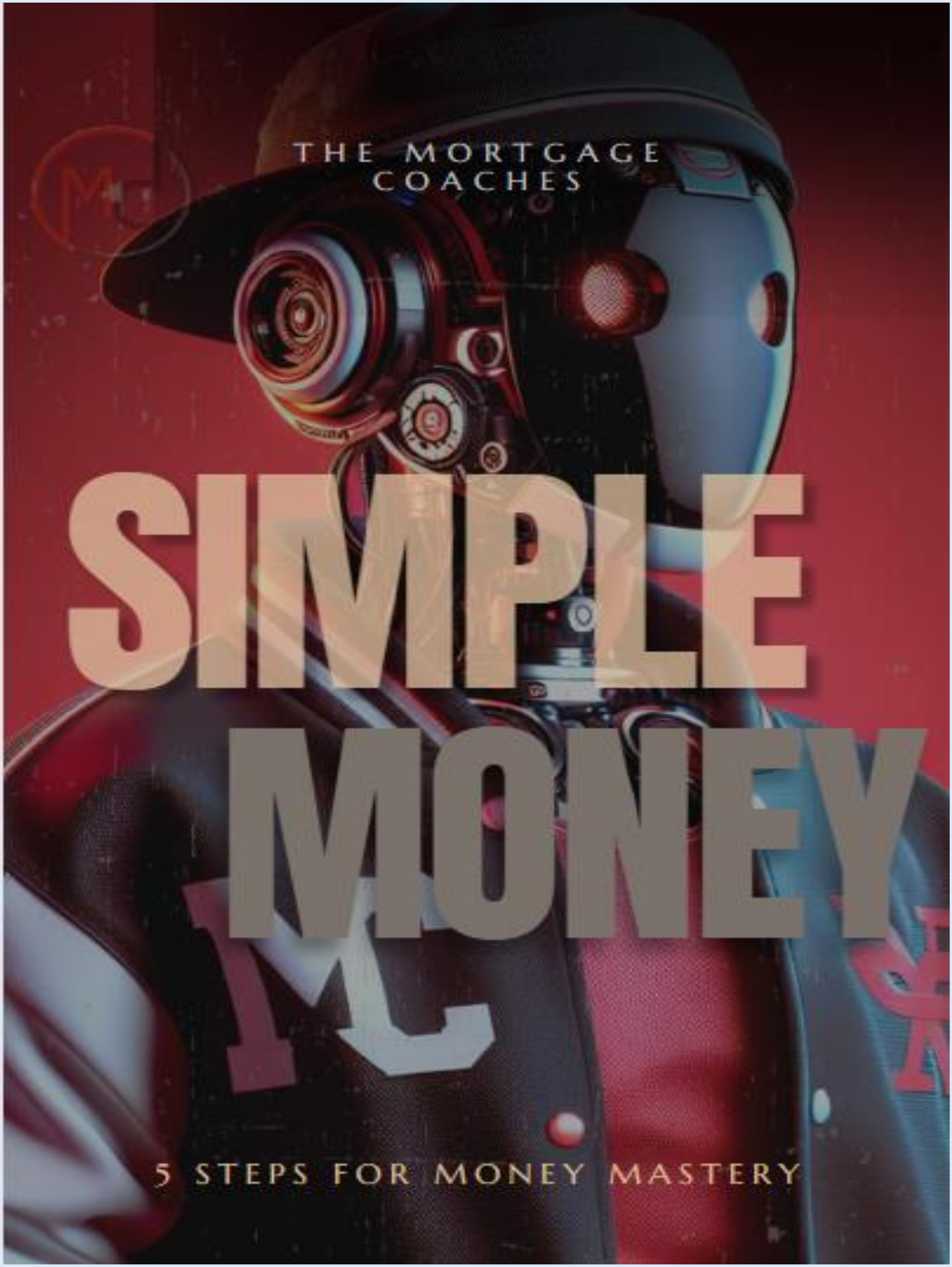
THE MORTGAGE COACHES
SIMPLE MONEY
5 STEPS FOR MONEY MASTERY

Contents

Chapter 1: Budgeting

Introduction to Budgeting

Welcome to the wonderful world of budgeting! Think of your budget as your financial GPS – it keeps you on track, helps you avoid detours, and ensures you reach your destination without running out of gas (or in this case, money). Budgeting isn't about restricting your spending; it's about making sure your money works for you, not the other way around.

Why Budgeting is Important

Budgeting is the cornerstone of any solid financial plan. It helps you understand where your money is going, identify areas where you can cut back, and ensure you're saving enough for future goals. Without a budget, it's easy to lose track of your finances and end up wondering where all your hard-earned money went.

Steps to Create a Simple and Effective Budget

1. **Track Your Income and Expenses**:
    - You should know how much money you have. If you're like most of us this amount changes depending on who you're talking with. You need a real number not an estimate, so start by listing all your sources of income. This includes your salary, side gigs, investments, and any other sources.
    - Next, track all your expenses. This includes fixed expenses (rent, utilities, etc.) and variable expenses (groceries, entertainment, etc.). Don't forget those little items that you stop in and buy at the gas station every week. Try to be as complete as possible.
    - Pro Tip: Use a budgeting app, accounting software like QuickBooks or a simple spreadsheet to keep track of everything. It's like having a financial assistant in your pocket!
2. **Categorize Your Spending**:
    - Divide your expenses into categories such as housing, transportation, food, entertainment, and savings. You can find suggestions on expense categories online.
    - This will help you see where your money is going and identify areas where you can cut back if necessary.
3. **Set Financial Goals**:
    - Determine your short-term and long-term financial goals. What we mean is where do you want to be in 6 months. What do you want to do each year? What would you like

your finances to look like in 20 years? Include anything from saving for a vacation to building an emergency fund or saving for retirement.

- Having clear goals will give you a sense of purpose and motivation to stick to your budget. For instance: I want to have at least 3 months of my monthly bills set aside as an emergency fund.

4. **Create Your Budget**:

   - Allocate a specific amount of money to each category based on your income and expenses. Use percentages for each category if your income fluctuates.

5. **Monitor and Adjust Your Budget**:

   - Regularly review your budget to see how you're doing. Are you overspending in certain categories? Do you need to adjust your spending habits?
   - Don't be afraid to make changes. This is so important your budget should be flexible and adapt to your changing financial situation. It has to fit your life and not be a noose around it.

Tips for Sticking to a Budget

- **Automate Your Savings**: Set up automatic transfers to your savings account. This way, you're less likely to spend money you intended to save.
- **Use Cash for Discretionary Spending**: Withdraw a set amount of cash for things like dining out and entertainment. Once the cash is gone, you're done for the month.
- **Avoid Impulse Purchases**: Before making a purchase, ask yourself if it's a need or a want. If it's a want, wait 24 hours or more before buying it. You might find you don't want it as much as you thought.
- **Reward Yourself**: Sticking to a budget doesn't mean you can't have fun. Set aside enough money each month for guilt-free spending on something you enjoy.

Humor: Keeping it Light

Think of your budget as a financial GPS – it keeps you from getting lost in the mall! And remember, budgeting isn't about saying no to fun. It's about making sure you have the money to say yes to the things that matter most. So, grab your financial map, and let's start this journey to wealth together!

Chapter 2: Saving

Introduction to Saving

Welcome to the second chapter of your financial journey: Saving! You have to get this one right. If budgeting is your financial GPS, then saving is your batteries. It's what keeps you prepared for life's unexpected twists and turns, and helps you build a secure future. Remember, saving money is like planting a tree. The best time to plant a tree was 20 years ago, the next best time is today. – Chinese Proverb

The Significance of Saving Money

Saving money is crucial for a variety of reasons. It provides a safety net for emergencies, helps you achieve your financial goals, and gives you peace of mind knowing you're prepared for the future. As Tony Robbins would say, "It's not what we get. But who we become, what we contribute… that gives meaning to our lives." Saving money gives us stairs towards our goals. It allows you a change in perspective. It's a foundation for providing for your life's goals. You have greater flexibility when you become your own banker through the discipline of saving.

Different Types of Savings

1. **Emergency Fund**:
    - An emergency fund is your financial safety net. It's there to cover unexpected expenses like medical bills, car repairs, or sudden job loss.
    - Aim to save 3-6 months' worth of living expenses in an easily accessible account.
2. **Retirement Savings**:
    - Start saving for retirement as early as possible. The power of compound interest means the sooner you start, the more your money will grow.
    - Consider contributing to retirement accounts like a 401(k) or IRA.
    - Play with an online savings calculator and simply see what $100 per month over 30 years turns in to. Surprise it's $81,969.78 at a rate of return of 5%.
3. **Short-Term Savings**:
    - These are savings for goals you want to achieve in the next 1-5 years, such as a vacation, a new car, or a down payment on a house.
4. **Long-Term Savings**:
    - These are savings for goals that are more than 5 years away, such as your child's education or a dream home.

- Consider investing in stocks, bonds, or mutual funds to grow your money over time. Don't be in a hurry, there are lots of resources to help you do this. But also, don't wait forever. Start something and remember you can be flexible.

Strategies to Save More Effectively

1. **Pay Yourself First**:
   - Treat your savings like a bill that must be paid. Set up automatic transfers to your savings account each payday. It's like tree roots. The tree's roots extend as far below the ground as the branches do in the air. Make your foundation extremely strong by giving it deep roots.
   - This ensures you save consistently and don't spend money you intended to save.
2. **Cut Unnecessary Expenses**:
   - Review your budget and identify areas where you can cut back. Do you really need that daily latte or multiple streaming subscriptions?
   - Redirect the money you save from cutting expenses into your savings account.
3. **Set Specific Savings Goals**:
   - Having clear, specific goals makes it easier to stay motivated. Instead of saying, "I want to save more," say, "I want to save $5,000 for a vacation next year." Then have some fun planning the vacation so that you can see what will happen when you meet your goal.
   - Break down your goals into smaller, manageable milestones.
4. **Take Advantage of Employer Benefits**:
   - If your employer offers a 401(k) match, make sure you're contributing enough to get the full match. It's essentially free money!
   - Look for other benefits like health savings accounts (HSAs) or employee stock purchase plans.

Humor: Keeping it Light

Saving money is like planting a tree. It might take time to see the fruits, but once they appear, you'll be glad you didn't eat all the seeds. And remember, saving isn't about depriving yourself. It's about making sure you have the resources to enjoy life's big and small moments. So, let's start planting those financial seeds and watch your wealth grow!

Chapter 3: Debt Management

Introduction to Debt Management

Welcome to the third chapter of your financial journey: Debt Management! Debt can feel like a heavy backpack on a long hike – it slows you down and makes the journey more difficult. But with the right strategies, you can lighten the load and keep moving forward. Remember, understanding debt is the first step to mastering it. Debt might be a bad roommate that eats your food and never does the dishes, but it's time to show it the door!

Understanding Good Debt vs. Bad Debt

Not all debt is created equal. Some debt can actually work in your favor if managed correctly. You need to know the difference. If debt is making you money, we will refer to that as an investment. If it is simply costing you money. Let's stop the bleeding.

1. Good Debt:

- Good debt is an investment that will grow in value or generate long-term income. Examples include debt to acquire income property, some types of business debt, some types of home mortgages, and business loans.

- These types of debt can help you build wealth and improve your financial situation over time.

2. Bad Debt:

- Bad debt is used to purchase depreciating assets or items that don't generate income. Examples include cash advances, credit card debt, payday loans, and car loans. Things Robert Kiyosaki would call doodads.

- This type of debt can quickly spiral out of control and should be avoided or paid off as quickly as possible.

3. Strategies for Paying Off Debt

- Create a Debt Repayment Plan:
  - List all your debts, including the amount owed, interest rate, and minimum monthly payment.
  - Choose a repayment strategy that works best for you, such as the debt snowball method (paying off the smallest debts first) or the debt avalanche method (paying off the highest interest debts first).

- Prioritize High-Interest Debt:
    - Focus on paying off high-interest debt first, as it costs you the most money over time.
    - Making extra payments towards these debts can save you a significant amount in interest.

- Consolidate Your Debt:
    - Consider consolidating multiple high-interest debts into a single loan with a lower interest rate.
    - This can simplify your payments and potentially save you money on interest.

- Negotiate with Creditors:
    - Don't be afraid to reach out to your creditors to negotiate lower interest rates or more favorable terms.
    - Many creditors are willing to work with you if you're proactive and honest about your situation. Don't wait until after you are in trouble, be proactive.
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5. **Tips to Avoid Accumulating Unnecessary Debt:**

- Live Within Your Means:
    - Avoid lifestyle inflation – just because you can afford something doesn't mean you should buy it. Consider increasing your savings amount when you get a raise. Don't add in higher expenses just because you can.

Humor: Keeping it Light

Debt is like a bad roommate – it eats your food and never does the dishes. Time to kick it out! Remember, managing debt isn't about living a life of deprivation. It's about taking control of your finances so you can enjoy life without the weight of debt dragging you down. Let's lighten that financial backpack and keep moving forward on your journey to wealth!

Chapter 4: Investing

Introduction to Investing

Welcome to the fourth chapter of your financial journey: Investing! If budgeting is your financial GPS and saving is your batteries, then investing is the rocket fuel that propels your wealth to new heights. Investing might seem intimidating at first, but with the right knowledge and strategies, you can make your money work for you. Think of investing as planting a money tree – water it with patience and watch it grow (hopefully not into a bonsai).

Basic Principles of Investing

1. **Start Early**:
    - The earlier you start investing, the more time your money has to grow. Thanks to the power of compound interest, even small investments can grow significantly over time.
    - As Albert Einstein reportedly said, "Compound interest is the eighth wonder of the world. He who understands it, earns it; he who doesn't, pays it."
2. **Diversify Your Investments**:
    - Don't put all your eggs in one basket. Diversifying your investments across different asset classes (stocks, bonds, real estate, etc.) can help reduce risk and increase potential returns.
    - Think of diversification as a financial buffet – a little bit of everything can make for a well-balanced portfolio.
3. **Understand Your Risk Tolerance**:
    - Different investments come with different levels of risk. It's important to understand your risk tolerance and choose investments that align with your comfort level. This is important for spouses to consider as well. One person may have a different tolerance level than another. So, it is important to think before you act.
    - Higher risk often means higher potential returns, but also higher potential losses. Know what you can handle before diving in. There is a reason we refer to things as having a higher risk associated to them.
4. **Invest for the Long Term**:
    - Investing is not a get-rich-quick scheme. It's about building wealth over time. Stay patient and avoid the temptation to make impulsive decisions based on short-term market fluctuations.

- We’re big fans of The Motley Fool whose investment strategy says: “We recommend investors buy shares of at least 25 stocks and hold them for at least 5 years.”
- Remember, “Time in the market beats timing the market.” – Warran Buffett says, “buy stocks at bargain-basement prices and hold them patiently.”

Different Types of Investments

1. **Stocks & Bonds**:
   - Owning stocks means you own a piece of a company. Stocks can offer high returns but come with higher risk.
   - Bonds are essentially loans you give to companies or governments in exchange for periodic interest payments and the return of principal at maturity. They are generally considered lower risk than stocks and can provide steady income.
2. **Real Estate**:
   - Investing in real estate can provide rental income and potential appreciation in property value.
3. **Mutual Funds:**
   - Mutual funds pool money from many investors to buy a diversified portfolio of stocks, bonds, or other assets.

The Power of Compound Interest

Compound interest is the secret sauce that makes investing so powerful. It’s the interest you earn on both your initial investment and the interest that has been added to it. Over time, this can lead to exponential growth.

- **Example**: If you invest 100 per month at an annual return of 7%, after 30 years, you would have invested $36,000 but earned enough interest so that your total account would value over $113,000. That’s the magic of compound interest!

Tips for Successful Investing

1. **Do Your Research**:
   - Before investing in anything, take the time to research and understand it. Knowledge is your best tool for making informed decisions. Don’t invest in what you don’t understand.
   - Consider reading books, taking courses, or consulting with a financial advisor.

2. **Stay Consistent**:

    - Make investing a regular habit. Set up automatic contributions to your investment accounts to ensure you're consistently growing your portfolio. Think of it as watering your money tree regularly to help it grow strong and tall.

3. **Keep Emotions in Check**:

    - The market will have ups and downs. Things change. They go up and they go down. It's important to stay calm and stick to your long-term strategy. Avoid making impulsive decisions based on fear or greed.

4. **Review and Adjust**:

    - Regularly review your investment portfolio to ensure it aligns with your goals and risk tolerance.
    - Make adjustments as needed but avoid overreacting to short-term market movements.

Humor: Keeping it Light

Investing is like planting a money tree. Water it with patience and watch it grow (hopefully not into a bonsai). Remember, investing isn't about getting rich overnight. It's about building wealth over time so you can enjoy the fruits of your labor. So, grab your watering can, and let's start growing that money tree together!

Chapter 5: Financial Goals

Introduction to Financial Goals

Welcome to the final chapter of your financial journey: We're not trying to oversimplify the process, but at the same time. This really is not rocket science. These are simple financial tools that you can put in place right now to help take you to your financial goals!

Setting financial goals is like planning a road trip. You need a destination, a map, and maybe a few snack breaks along the way. Goals with these tools will give you a sense of direction and purpose, helping you stay motivated and on track.

Importance of Setting Financial Goals

As W. Randall Jones says in "The Richest Man in Town," "Success is not a destination, but the road that you're on." – make sure you know what road you want to be on. It will help you identify things that are not on the path you're looking for. Remember everything that glitters is not gold.

Clear financial goals are crucial because:

- They provide a clear roadmap for your journey.
- They help you prioritize your spending and saving.
- They will keep you motivated and focused.
- They allow you to measure your progress and celebrate your successes.

How to Set SMART Financial Goals

SMART goals are **S**pecific, **M**easurable, **A**chievable, **R**elevant, and **T**ime-bound. Here's how to apply the SMART framework to your financial goals:

1. **Specific**:
    - Clearly define what you want to achieve. Instead of saying, "I want to save money," say, "I want to save $5,000 for a vacation."
2. **Measurable**:
    - Ensure your goal can be tracked and measured. For example, "I will save 500 per month for 10 months to reach my 5,000 goal."
3. **Achievable**:
    - Set realistic goals that are attainable given your current financial situation. Stretch yourself, but don't set goals that are impossible to achieve.

4. **Relevant**:
    - Your goals should align with your overall financial objectives and values. Ask yourself why this goal is important to you.
5. **Time-bound**:
    - Set a deadline for your goal. This creates a sense of urgency and helps you stay focused. For example, "I will save $5,000 by June 30 next year."

Tips to Stay Motivated and Achieve Your Financial Goals

1. **Break Down Your Goals**:
    - Divide your larger goals into smaller, manageable milestones. Celebrate each milestone to stay motivated.
2. **Visualize Your Goals**:
    - Create a vision board or just write notes and paste them on the mirror in your bathroom or on the refrigerator. Use a goal-tracking app to visualize your progress. Put yourself in a position to look forward to what you're working towards.
    - **Short-Term Goals (1-5 years)**: (vacation, credit card, debt)
    - **Medium-Term Goals (5-15 years)**: (house downpayment, student loans)
    - **Long-Term Goals (15+ years)**: (retirement, child's education)
3. **Stay Accountable**:
    - Share your goals with a friend, family member, or financial coach. Accountability can help you stay on track.
4. **Reward Yourself**:
    - Set up a reward system for when you achieve your milestones. Treat yourself to something small and enjoyable.
5. **Stay Flexible**:
    - Life happens, and sometimes you need to adjust your goals. Be flexible and adapt your plan as needed.

Humor: Keeping it Light

Setting financial goals is like planning a road trip. You need a destination, a map, and maybe a few snack breaks along the way. Remember, it's not just about reaching the destination but enjoying the journey. So, set those goals, pack your snacks, and let's hit the road to financial success!