FINDING YOUR FINANCIAL FREEDOM

BUILDING WEALTH ON A DIME

KIMBERLY HAMILTON

WILEY

BUILDING WEALTH ON A DIME

BUILDING WEALTH ON A DIME

Finding your Financial Freedom

KIMBERLY HAMILTON

WILEY

Published by John Wiley & Sons, Inc., Hoboken, New Jersey.
Published simultaneously in Canada.

For general information on our other products and services or for technical support, please contact our Customer Care Department within the United States at (800) 762-2974, outside the United States at (317) 572-3993 or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic formats. For more information about Wiley products, visit our web site at www.wiley.com.

Library of Congress Cataloging-in-Publication Data:

Names: Hamilton, Kimberly, author.
Title: Building wealth on a dime : finding your financial freedom / Kimberly Hamilton.
Description: Hoboken, New Jersey : Wiley, [2023] | Includes index.
Identifiers: LCCN 2022039049 (print) | LCCN 2022039050 (ebook) | ISBN 9781119900009 (cloth) | ISBN 9781119900016 (adobe pdf) | ISBN 9781119900023 (epub)
Subjects: LCSH: Finance, Personal. | Wealth.
Classification: LCC HG179 .H2537 2023 (print) | LCC HG179 (ebook) | DDC 332.024—dc23/eng/20220923
LC record available at https://lccn.loc.gov/2022039049
LC ebook record available at https://lccn.loc.gov/2022039050

Cover Image: © Zouls/Shutterstock
Cover Design: Ross Fishkind

Contents

Preface

It's 2012, and I'm 23 years old, sitting at a kitchen table I share with three roommates. We live in a row house in an up-and-coming area of Washington, DC, one of the most expensive cities in the United States.[1] I'm warned not to walk on the north side of the block, where my roommate got mugged earlier that year, but I love the neighborhood because it reminds me of New York City. There are plenty of families in the area, hole-in-the-wall restaurants, and a metro within walking distance. I had moved from New York just a few months earlier, and something about this place felt like home.

Most importantly, I could afford it.

My dinner isn't anything spectacular; some tomato zucchini stew I found on a random food blog. It sounded like a good idea because it was easy to make, and the ingredients were cheap. I cook most of my meals to try and save money, making exceptions on the weekends to go out with friends. We're all in our 20s and 30s, trying our best to make ends meet.

Most of us have significant debt – student loans and credit cards – but we don't talk about it. We do talk about almost everything else: our families, who we're dating, sex, politics, and so on. But money is hard to talk about when you don't have much of it, so the majority of us who *do* work hard but still feel like we need more . . . give us anything else to talk about. Ideally, something with the potential to make us feel good, because money is hard for a lot of Americans.

According to the New York Federal Reserve, as of 2022, Americans have over $890 billion in credit card debt, $1.59 trillion in student loans, and over $1.4 trillion in car payments.[2] Combined with almost $11 trillion in mortgage debt, we owe over $16.5 trillion. You could spend $1 million every single day for an entire year for 42,000 YEARS (!!) and *still* not reach that amount.

That's wild when you consider money touches almost every aspect of our lives. You'd think we'd all be better at it by now.

Unfortunately, despite all of our practice spending money, it's not something most of us are "good" at for a few reasons. For starters, personal finance isn't something most of us are taught at home or in school, in part because all of our teachers and families were likely trying to figure it out too. But that doesn't mean it's an impossible topic to learn.

In fact, it turns out, we all learn about money all the time – just not the strategic stuff.

Research by a group of psychologists at Purdue University found that children can grasp basic concepts about money at three years old and form habits about money by age seven.[3] This means that even kids can learn about money, but most don't . . . at least not in ways that are helpful. Even when adults talk about money, it's rarely about strategy or based on evidence because no one ever told us what we're supposed to do.

So none of my roommates and I, nor my family and I, ever had a conversation about how I was supposed to make it in this new city. It's almost December and I'm logging into my bank accounts because the grace period on my student loans is ending, and I have no idea how I'm going to pay them. I'm not even sure how much I owe – I think I blacked out once I learned it was higher than my salary.

Sometimes, the worst part about debt is stomaching the realization that you signed up for that credit card or that loan yourself. Even if you felt like it was your only option at the time, when hindsight is 20/20, it can be a little too easy to bring yourself down. I certainly spent a good chunk of time thinking that way.

I grew up in a middle-class neighborhood and my immediate family never struggled with money, but it wasn't something that was normalized or talked about either. I didn't have any debt during undergrad due to a combination of scholarships and family support.[4] It was my master's degree from an expensive private university that I willingly took on debt for, with zero concept of what it would mean to pay back.

Looking back, I had no idea what I signed up for; I thought I would magically pay it off. I had no experience working a full-time job and barely any credit history. I had no understanding of how interest works. As the first person on my mom's side to go to college (my dad had help from the military) there wasn't a lot of knowledge about student debt to be passed down. There was no warning or disclaimer. I just figured if everyone else did it, I could too.

Turns out it wasn't as easy as I had hoped.

My first job out of graduate school offered a $37,000 salary, and I negotiated up to $40,000 with the master's degree I was so proud of and indebted to. It was my dream field, but the salary was significantly lower than I had expected.

I owed about $44,000 in student loans, living in one of the most expensive cities in the country. The cost of living wasn't that much different from when I lived in New York, but that was during my debt-free glory days. Life with debt was a whole different story. Now, I can look back and realize my situation wasn't so bad – I was always able to pay bills on time and millions of other Americans have non-mortgage debt upwards of $100,000. But at the time, the idea that I had more debt than I would make in a year was soul-sucking.

Not my vibe.

So, I enter my password into Sallie Mae, a major student loan servicing company that would be my archnemesis for years to come. I try to remember the type of repayment plan I have, but there are too many options to recall anything specific. Given that over 35 million

Americans had student debt in 2012 (over 43 million in 2022), you'd think the process would be more straightforward.

It's not.

I have to go to a completely different website to find out what type of repayment plan I have.[5] Once I'm there, I check all seven: a "Pay as you earn" plan; a "Revised pay as you earn" plan; a "Graduated repayment plan" – still no – an "Extended repayment plan"; a "Income-contingent repayment plan" – again, no – and an "Income-based repayment plan."

That last one sounds right!

Except . . . $hit. I forgot to apply (I won't bore you with the details).

So, I'm left with the standard 10-year repayment plan. I *think*. I finally find a copy of my statement. I push my tomato zucchini stew away like I'm protecting it from something it's not supposed to see, and I take a deep breath.

I would owe $503.90 monthly for the next 10 years of my life. I'd pay the $41,000 I originally borrowed, plus over $3,000 worth of interest I incurred while I was still in school, and over $16,700 in additional interest over the 10 years – almost 50% the price of my original debt. That's an extra $19,700 in total I didn't sign up for.

(Or at least I didn't realize it.)

I think back to hearing the phrase "Do it on a dime" as a kid, meaning, do it on a budget. It always made sense to me. Why spend more when you can spend less? Even in my early 20s, I was never a big spender. I've always loved to travel, so I'd prioritize saving for that every year, but otherwise was pretty frugal.

Some friends and family might have called me "cheap."

In reality, I didn't have much of a choice. When over 25% of your income after rent is going toward debt, it forces you to be strategic.

I thought to myself, "How am I supposed to save for the future when I don't have anything left to build with?" This wasn't a DIY project, or a lemonade stand. This was my life.

Immediately, I panic. My minimum payments come out to $503.93 if I stick to the 10-year plan. It's about 20% of my take-home pay before I make rent or save anything (and my rent was cheap). Weren't your 20s supposed to be . . . glamorous? Or at least fun in a we're-all-scraping-by-together kind of way?

I didn't think I'd make a ton of money out of grad school, but I didn't think my life would be filled with financial anxiety either. I thought I'd be able to go out to dinner without feeling anxious about the bill. I thought I'd be able to go grocery shopping without trying to calculate how I could make a week's worth of lunch for under $20.

(The answer was a lot of rice and pasta. Good thing I'm Puerto Rican and Italian.)

So there I was: $503.93 a month and over $19,000 worth of interest to go. At that rate, I'd be 33 before I paid off my debt. I always thought I'd have a family by that time . . . "How the hell does anyone afford kids?" I think to myself.

Other thoughts that immediately follow:

"How will I ever buy a home?"
"How am I paying 50% more than what I took out?"
"I went to school for ECONOMICS, for Christ's sake!!!"

It was my first real taste of feeling like I had lost control of my own life, and it was my fault. I couldn't blame anyone else. I couldn't ask my family for help. I just had to sit with it.

It wouldn't hit me until a few years later, but eventually, I realized that just because your finances go off course doesn't mean you can't catch up. I knew very little about personal finance at the time, but I had one thing going for me: I was determined as hell. That attitude can be really helpful when you're up against a challenge and knocking out my debt would be my biggest hurdle yet. There's nothing like paying down a seemingly endless amount of debt when you're already broke to test your perseverance.

I wouldn't learn about debt payoff strategies until a few months later, but I decided that night that I would change. I was going to learn about money because I never wanted to be surprised like this again. And I was NOT going to eat tomato zucchini stew for the next 10 years, that's for damn sure.

It turns out the willingness to learn was all I needed to shift my financial trajectory on a dime. And how many dimes did I have to get started?

I owed almost 450,000.

■ ■ ■

Fast-forward just a few years and it's incredible how drastically your life can change when you decide to redirect it. When I first started paying off my student debt, I had a negative net worth of around –$42,000 and very little savings. I knew nothing about money or how to manage it, and I thought investing was only for the wealthy. But in a few short years, all of that would change.

In the next few months, I read and listened to anything and everything related to personal finance until my eyes glazed over. A lot of it was boring and filled with words I didn't understand . . . but from that education, I came up with a system to pay off my debt in three years and automated my finances to reduce financial stress. Looking back, I should have had other financial goals at the time, like building an emergency fund or investing for retirement, but I didn't. I just couldn't see past my student loans, so they became priority #1.

The thing about personal finance is you *really* don't know what you don't know. You learn things later – this still happens to me – and think to yourself, "I should have" or "I could have" . . . and it sucks. So, in reading this book and learning more about how money works, I hope you give yourself some grace to forget and forgive the past. You can always make changes from this point forward.

Ultimately, after three years of what seemed like an eternity, I successfully paid off my student loans and saved myself over $10,000 in interest. By negotiating my salary (multiple times) and learning to invest, I also doubled my income between 2013 and 2017, and put a down payment on my first home right before my 30th birthday. I had gone from more debt than I made in an entire year to buying a $345,000 home in just five years.

A funny thing happens when you become debt-free, particularly after paying down what feels like a mountain of it. While there are strategies in this book to pay down debt quicker and save hundreds, maybe thousands, of dollars in interest, implementing those strategies requires money – and I didn't have much of it back then. So the fact that I was able to pay down all of my debt? I thought there would be a big celebration. I thought everyone would congratulate me on this herculean effort. But in reality, it was incredibly anticlimactic.

I made my last payment, and nobody cared – but it was still a life-changing moment for me, and I want that same feeling of freedom for you.

The term *financial freedom* can mean different things to different people; it's up to you to define it. For some, retirement is the ultimate financial freedom. For others, being debt-free defines that moment. For me, it's when I finally felt like I was in control of my future. Coming up with a way to automate my finances got me 90% of the way there, but actually being debt-free took it to a new level. I no longer lived in a headspace where my debt framed every decision. Instead, I could let my own priorities make the call.

Before you keep reading, take a quick second to think about what financial freedom would mean to you. What's the first thing that comes to mind? How might you feel? Write it down to remember what you're working toward – use it as a bookmark, label it as an alarm on your phone, or stick a Post-it by the door. Your definition might even change as you read this book. But whatever it is, let it motivate you. It may be something that seems small to others, but that's okay. If you're up for it, email me your answer at hello@beworthfinance.com. I'll be your biggest cheerleader.

As someone who now talks about money regularly, you probably think it's easy for me to forget the emotional toll of what life felt like when I was struggling to figure it out. In reality, it's like financial PTSD – and I don't say that lightly. I say that as someone who really believes your finances can have that much of an emotional impact. I say that as someone filled with empathy when someone tells me they feel helpless or frustrated because they don't know how to get themselves out of a bad financial situation. Today, my life is different – I'm debt-free (except for my mortgage), I have a higher income, and I'll likely have the option to retire early. But I remember what it's like to feel like I had no control at all.

I hope this book helps you take back the reins.

Building wealth doesn't happen overnight, but it is possible – even on a budget – with the right systems. In this book, I'll cover exactly what you need to do to gain confidence in your money – the mental shifts and financial strategies. As you read it, you'll meet characters like Claire, who is having trouble making ends meet in New York; Eric, who is thinking about starting a family in Portland; and Tanya, a first-generation college student in Chicago, hell-bent on setting a new financial bar for her family. All of them, like you, will have unique financial situations, incomes, and quirks. Throughout this book, you'll see how they apply different strategies to their own lives – and while your situation may be different, you'll learn to build wealth, too.

In Chapter 1, I break down six key habits I believe have accelerated my ability to build wealth more than anything else on my financial journey. You may be surprised to learn they have nothing to do with how much you make. I call them "million dollar habits."

Chapters 2 and 3 focus on identifying your money mindset and the changes you can make to improve your emotional relationship with money. These chapters will be particularly helpful for those who have negative emotions toward money or need help setting boundaries – for themselves or with others.

In Chapter 4, you'll learn to develop and implement an automated plan for your money, and set realistic goals. I call it the "Money Moves System" and hope it will do wonders in reducing your financial anxiety. Then, if it's applicable to you, I'll cover debt payoff strategies in Chapter 5.

Chapter 6 is where you'll learn to set a new financial baseline – the metrics you need to know and the mental blocks to look out for. This will help you track progress over time and evaluate any major financial decisions down the road.

In Chapters 7–9, you'll learn how to start investing and more importantly, how to be strategic – don't worry, I promise it's not as complicated as you think! America is filled with a ton of hardworking people; I want your money to work even harder for you.

Lastly, in Chapters 10–12, we'll cover homeownership, including as a potential wealth-building strategy. A lot of people see homeownership as an obvious step in their financial journey – I'm not one of those people. Instead, I think it's important to make an informed decision based on several factors you'll learn in detail, including the basic steps to homeownership and costs involved.

Ultimately, the money makers you'll read about in this book and the financial situations they experience are all very common – but they don't have to be complicated to solve. As you move through the chapters, you'll learn the small shifts in behavior that pack a big punch and combine them with the strategies you need to make the most of your money moves. Ultimately, what might seem like small changes your money now, will be transformational in the long run.

Let's start with a dime.

Notes

1. Jason MacCormick, "10 Most Expensive Places to Live in the U.S.," CBS News, April 5, 2013. https://www.cbsnews.com/media/10-most-expensive-places-to-live-in-the-us/.
2. Federal Reserve Bank of New York, Center for Microeconomic Data. (Original source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax. https://www.newyorkfed.org/microeconomics/hhdc. Accessed September 4, 2022.
3. Beth Kobliner, "Money habits are set by age 7. Teach your kids the value of a dollar now," PBS, Making Sen$e, April 5, 2018. https://www.pbs.org/newshour/economy/making-sense/money-habits-are-set-by-age-7-teach-your-kids-the-value-of-a-dollar-now
4. I actually started at the University of Miami on a partial scholarship with Air Force ROTC but after two years and a medical discrepancy was deemed ineligible, and transferred back to the City University of New York (CUNY) City College for a fraction of the tuition. I saw no difference in the quality of education provided.
5. I had federal student loans, so I went to www.studentaid.gov, which is still the government's student loan website today, although you'll make payments through your student loan servicer.

Chapter 1

Million Dollar Habits

If you're anything like I used to be, the idea of having $1 million one day might seem impossible. My goal in writing this book is to reverse that way of thinking.

I titled this book *Building Wealth on a Dime* for a reason; because the power of starting small should not be underestimated. As you follow the strategies in this book, what might seem like small changes to your normal routine or way of thinking can make for million dollar habits later, setting you up for success long before you see it in your bank account. I hope to convince you that building wealth doesn't require an inheritance or starting a tech company, but instead can be a few pretty easy things that you do regularly over time.

Now, in the long run, you'll undoubtedly need to invest for your money to grow – there's no way around that. No one gets wealthy by paying off debt or saving their way to a million dollars; this also means you'll need to be strategic. Having money to invest is worthless if you don't have a system to allocate those investments or if you invest without any strategy. Want to set a bunch of money on fire? I didn't think so. Luckily, there are simple ways to reduce your risk and build wealth faster using the strategies you'll learn in this book – but none of that matters if you don't have the right mindset and system in place to get started.

In other words, laying the foundation is key, and that starts with habits and mental shifts you can implement right now, regardless of how much money you make, spend, or save. There's a common saying in personal finance that if you can't manage $100 or $1,000, you'll never be able to manage $1 million (or more). I firmly believe that. I also think it's why so many lottery winners go broke.

Don't be *that* lottery winner.

In this chapter, you'll learn the habits and mental shifts you need to lay the groundwork for your financial journey. Later in the book, you'll learn the specific strategies and systems you need to put it all together. Ultimately, I hope to convince you that your current situation is in no way predictive of your financial future – so long as you're willing to make a few key changes.

To guide you along the way, this chapter breaks down six million dollar habits – the six actions I believe have had more of an impact on the financial futures of myself and my clients than anything else (see Figure 1.1).

Figure 1.1 Million Dollar Habits

- **#1 Start small, dream big**
- **#2 Don't compare yourself to others**
- **#3 Automate and stay consistent**
- **#4 Start with day 1**
- **#5 Keep it real**
- **#6 Invest early and often**

I'll refer to these throughout the book and the stories of Claire, Julia, Eric, and others – but before we get there, here's a rundown on each habit.

No. 1: Start Small, Dream Big

If you're reading this book, you likely picked it up because (a) you want to improve your finances and (b) you're looking to start off small. You might not have an extra $1,000 lying around to invest or pay down your debt – most Americans don't. According to a 2022 survey by Bankrate, 56% of Americans couldn't cover a $1,000 emergency, but that shouldn't stop you from making progress where you can.[1]

Thanks to advancements in technology and financial policies it has never been easier to build wealth, starting with as little as $5 – I'll show you how in Chapter 7, Invest Early and Often. For example, instead of buying an entire share of a company that may be out of your budget, you could start with *fractional shares* now – meaning you can invest in just a portion of an individual share. This is something you *literally* couldn't do just a few years ago, so investing required a lot more money to get started. Advances in technology and finance industries have made the possibility of building wealth more accessible than ever before.

Now, as a proud New Yorker, I'll give it to you straight – will a $5 investment make you wealthy over time? No, it won't. But the habit of consistently investing that $5, accelerating your debt payoff, or automating your savings– those are game changers. That's why my top million dollar habit is to start small and dream big. You can start with low dollar amounts, build them into powerful habits, and become more aggressive as your income allows over time.

In other words, the ball is in your court in a way it's never been before – and starting small is one way to take advantage of the opportunity. While most of the other habits revolve around certain actions you can take, this first habit is a crucial mindset shift. You have to believe something is possible to truly be motivated by it.

So let's get into your wildest dreams scenario.

When I had close to $45,000 in student debt, all I could think of was paying it off. I was obsessive about it, I was anxious about it, and it became really hard to look past my debt. I didn't dream about the bigger picture; my brain wouldn't let me.

I want you to dream bigger than I did.

Once I did pay off all my debt, my universe expanded. Instead of thinking about my debt, I started thinking about my first $100,000 – then my next $100,000, then $500,000. Your life, too, can go from 0 to 60 once you get major obstacles out of the way – mental and financial.

The lesson here is don't wait until your next milestone to dream big. Instead, I want you to think 10 steps ahead of where you are today. This book isn't about paying off debt – it's about building wealth. Specifically, the knowledge and habits you need to build it. So focus on the possibilities and let them motivate you.

If paying off your debt gets you to 0, what would life at 100 be like? I want you to think outside the box. Go beyond your comfort zone. What is your wildest dream scenario, and what would that mean for your finances? And your life?

Get laser-focused on *that*.

Hello, future you!

Not sure if changing your habits will be enough to change your future? Let's find out! Visit www.futureme.org and write an email to your future self about how you hope to improve your relationship with money. You can schedule it to send it a year from now to compare how you feel now to actual progress. Include this reminder in that email to yourself: "P.S. send Kimberly an email at hello@beworthfinance.com to let her know how *Building Wealth on a Dime* changed my money habits." I'd love to hear from you!

No. 2: Don't Compare Yourself to Others

In a world filled with social media and a country fueled on credit, it can be a little too easy to compare yourself to others who seem to have it all together. It's human nature to look to others for clues about how we should act, and unfortunately, that extends to financial situations too. The truth is, a lot of people struggle or lack confidence when it comes to their money, even those who seem to have it all figured out. They can be homeowners but house poor and unable to afford much else. They can be doctors but owe $300,000 in student loans. Regardless of who they are, their financial situation is likely much different from yours, so don't waste time comparing yourself to others. Plus, it's very rare that you ever know the intricacies of someone's financial life.

As you work through this book, you'll determine what goals are possible for you and your unique situation – that will be your goal post. *That* is a money game you can win.

Focus on what makes sense for you. Forget all the noise.

No. 3: Automate and Stay Consistent

Automating my finances is hands down one of the smartest and most impactful money moves I've made. The biggest reason I recommend automating your finances is that it frees up a ridiculous amount of mental energy. Once you know your money is going to the right places, the rest comes down to math and time – and I'm not worried about that for you. Once you have the right systems in place, and you start to see results, you'll find a way to increase your savings and investments. Automating your finances will help put them to work.

The second reason I'm hell-bent on automating your finances is that it helps you be consistent and build wealth without even realizing it. In my experience, by automating my money in such a way that I was left with a weekly spending cap – you'll learn all about this in Chapter 4 – I quickly realized what I was comfortable spending and, therefore, what I could realistically and consistently contribute to my goals, month after month. As I paid off my debt and my income increased, what started as a 20% monthly transfer of my take-home pay toward my debt turned into a 40% investment contribution to build wealth. Not a single time did I manually write a check or initiate a transfer – I've simply updated the same system I set up almost 10 years ago.

Automating your finances will help you stay consistent. The confidence and discipline you'll develop simultaneously will help you build wealth.

No. 4: Start with Day 1

Maybe you've tried a budget before, but it failed.

Maybe you took on a good amount of debt before you knew what it was like to pay your own bills.

Maybe an emergency came along and knocked your finances off track.

It happens to the best of us. The important thing is that you're about to learn a whole new way of doing things, so forgive yourself for any past money mistakes and focus on what you can change from this point forward. Think of today as day 1 of learning to manage your money or day 1 of building wealth in a totally new way – one that isn't complicated and doesn't require a financial advisor. One that you own and control, day in, day out.

And as you do learn more on your financial journey, try to avoid feeling down because you didn't know some of this information earlier. It's an extremely normal response to wish you knew valuable information sooner. You may get angry or frustrated. Depending on your relationship with your family, it can be easy to wish that they had taught you more – but the truth is, they probably didn't have this information either. All you can do is learn as much as you can and do your best to implement those learnings now.

No one teaches this stuff and that's part of the problem, so don't focus on that. Focus on your trajectory. Focus on the financial life ahead of you. Focus on taking what you learn and knocking it out of the park.

Where was this stuff in school?

When I was in high school, even college, there was very little to any financial education formally provided in schools. I had one class where I vaguely remember learning how to manage a checkbook – in effect, how to spend money – with no memory of learning how credit worked, how to save, or invest. Luckily, the tide is changing. According to the Next Gen Personal Finance 2022 State of Financial Education Report, which surveyed 11,927 public high schools, passed legislation for guaranteed access to at least one semester's worth of personal finance courses increased from 5 states to 13 in 2022, with more states expected to add or improve legislation in the coming years.[2] That said, the study also found that outside those guaranteed states, access to personal finance education drops significantly in urban schools, schools with larger minority populations, and schools with lower income, where more students are eligible for free and reduced lunch programs. This further underscores the need for equitable access to financial education.

No. 5: Keep It Real

As a Latina woman working in the male-dominated fields of economics, finance, and tech, I've felt and can appreciate constraints, like the gender or minority pay gap, that keep people from making what would otherwise be considered fair, relative to their male, white counterparts. These are real issues that can and do limit the level of income some women and minorities are able to earn in their respective fields. That said, while I can empathize with those impacted by it, this issue is not the focus of this book. While I'll discuss some of these systematic problems in Chapter 2, ultimately, I'm here to help you make the most of what you *do* have and show you how to make it grow – which brings me to Habit No. 5, Keep it real.

When dealing with personal finance, most people have either one of two issues: (a) they're not making enough money to cover their expenses, or (b) they do make enough, but that money is allocated poorly, in the wrong order, or beyond their means. If income is the problem (issue a), then you have two options:

1. You can lower your expenses to increase the amount of money you have to go toward other needs or goals.
2. You can figure out a way to generate more income to keep the flexibility you have in your spending.

That said, most people in my experience suffer from issue b – which is really more of a management problem. This is where keeping it real, with yourself, is going to be important. While I'll teach you ways to save and be more strategic in how you manage your money, the system will fail if you're not being realistic about what you spend on a regular basis and how that compares to your income. This isn't to say you can't spend money on things you enjoy or like (or love), but rather, that you need to be aware and align your money to how you prioritize those things.

In reading this book, I encourage you to push any pride aside and take an honest look at your current money habits. Can you afford your current lifestyle? Are you a spender or a saver? Are you pretty disciplined, or might you want to build in a buffer to your checking account in case you overspend? The answers to these questions will help when structuring your budget and your money goals in Chapter 4. Remember that being realistic with yourself is crucial to a successful financial plan.

No. 6: Invest Early and Often

The last habit (and maybe the most important to building wealth) is to invest as early and as often as possible. As you move through your financial journey, you'll have to remember that building wealth takes time. While it won't happen overnight, the sooner you can start investing, the harder your money will work for you. This doesn't mean that it will take forever to see results – in fact, you may feel a lot closer to financial freedom simply by taking the actions in this book. But I also realize it's not the same as seeing a few extra commas in your bank account and I want you to have *all* the commas!

So let's talk about building wealth for a minute.

Like setting any goal, it's important to define what being wealthy would actually look like if you achieved it. Is it having a certain amount of money? If so, what's that specific amount? If you had it, how might you live life differently? And is the goal to be able to purchase something really extravagant or just the things that really make you happy? Maybe those two are related; maybe they're not.

In the 2021 Modern Wealth Survey, Charles Schwab surveyed 1,000 Americans and asked what dollar figure they would use to define someone as wealthy, what was needed for financial happiness, and what was needed to be financially comfortable.[3] Survey respondents were 9% Gen Z, 33% Millennials, 31% Gen X, and 27% Baby Boomers. On average, those surveyed reported "wealthy" to be around $1.9 million (see Figure 1.2).

How does that compare to what you had in mind?

Figure 1.2 Modern Wealth Survey

Average net worth...	2021
Needed to be wealthy	$1.9 M
Needed for financial happiness	$1.1 M
Needed to be financially comfortable	$624K

Adapted from: https://www.aboutschwab.com/modern-wealth-survey-2021

While your initial reaction might be – hell yeah, I'll take $1.9 million – the real answer is probably, it depends on who you ask.

Whether $1.9 million seems "wealthy" to you might depend on a few questions: When do you want access to those funds? How old are you? And what lifestyle do you want to live? If being wealthy means retiring at 60, living comfortably and being able to pass down some savings to family, then $1.9 million might do the job. On the other hand, if being wealthy to you requires owning a yacht – I'm totally guilty of this – and a high-rise apartment in New York City, then $1.9 million isn't going to cut it.

Regardless of how you define wealth, how soon you start is important. The is because compound growth helps you build wealth over time – the earlier you start, the more your wealth can grow (I'll cover this in detail in Chapter 7. Invest Early and Often). For now, using the $1.9 million example, Table 1.1 shows how much it would take at various timeframes to reach $1.9 million.