

# **Enjoy Your Money!**

**How to Make It**

**Save It**

**Invest It**

**and Give It**

*The Adventures of the  
Counterculture Club*

**By J. Steve Miller**



Please do not construe this book as the author's or publisher's prescription for your personal finances. Only a qualified financial counselor who knows your specific life circumstances, your personality, your goals and your objectives might be qualified to advise you in these matters.

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## Advance Praise

“A comprehensive look at managing your money. For me, the genius of this book is that it gathers wisdom from top financial gurus and uses it to explain clearly and practically how average folks can apply it to everyday living.”

Alan Buckler  
*Allstate Insurance*

“I really liked the format! The dramatic layout used a totally different part of my brain when I read it...it's like watching a movie or reading a novel. The story line kept my interest so that I got through it quickly. The content was very inspiring. 'Living differently' and 'starting a financial counterculture' hits home to me. And it was SO PRACTICAL! I think it will also appeal to most of my generation and the one coming up behind me.”

Anthony Daniel, age 28  
Chemist, *Tiarco Chemical*

“I loved the story and the characters! Read this book and you'll get the practical tools and wisdom to chart your own course toward financial freedom.”

Jamie Maddox  
Former Senior Business Analyst, *The Coca Cola Company*,  
Present Pastor of Stewardship, *NorthStar Church*

“Financial responsibility has reached a state of crisis. This book attacks the problem in a common sense, refreshing manner that anyone can understand and apply to real life. It should be required reading for all young people, before they find themselves broke, deeply in debt and miserable.”

William C. Lusk, Jr.  
Senior Executive Vice President & Chief Financial Officer, Retired, *Shaw Industries*,  
a *Fortune 500* company and the world's largest manufacturer of carpet

“A very entertaining, engaging book! The characters are appealing and aid the reader in interacting with the principles taught. Although especially geared to older teens and young adults, all ages will enjoy it and benefit. Meticulously researched and documented. Chock full of financial and lifestyle wisdom. I'll keep plenty of copies in my office to hand out to clients.”

Dr. Ken Walker  
Psychologist with the *Georgia Department of Juvenile Justice* and Director of *Dalton Counseling Service*. Former regional credit manager

“For me, the section on savings was worth the price of the book, detailing scores of hidden ways to save a fortune over a lifetime. Then, unlike many books, it goes beyond 'having more' to 'doing more with what you have.’”

Bryan McIntosh, Ph.D.  
*Dalyn Corporation*

“Clever! The movie script format pulled me into the story and endeared me to the characters. Before I knew it, I found myself thinking about money strategies that I’d have never learned from traditional finance books. Teaching finance through people stories works for me. Rather than staring at obscure charts, I just followed the lives of successful people. Finally! A readable book on personal finance for people who don’t want to read a book on personal finance...which of course is me and just about everybody else!”

Mark Hannah  
Film Producer

“A fast, fun read with practical and often remarkable insights. Should be required reading for every high school senior and every young adult who’s landed his or her first full-time job. I’m incorporating parts of the book into my lectures.”

Robert A. Martin, MBA, CPA  
Lecturer of Accounting in the prestigious *Coles College of Business* at *Kennesaw State University*, founder of a tax and consulting firm

“Every young person should read this book! It’s the first time I ever laughed out loud (repeatedly!) and darn near cried while reading a financial book. And, the content is so practical that I find myself routinely reflecting on the principles in my daily money decisions. I am thoroughly impressed with the scope of information covered in this book and consider it, by far, the most valuable book on finances I’ve ever read.”

Callie C. Brown,  
Author of *The Complete Guide to Investing in Gold and Precious Metals*

“Teachers of financial management and life skills will be thrilled to discover this book! Miller uses people stories to breathe life into financial concepts, making lessons both memorable and enjoyable. As an educator, I was impressed that the book:

- goes beyond “the same old stuff” that students hate.
- *expands* minds with research-based facts.
- *engages* minds with intriguing angles and creative assignments.
- challenges students beyond selfish accumulation to consider service to humanity.
- includes multiple cultures.
- offers hope to those with learning disabilities.”

Phillip Page, Ph.D.  
Public School Principal

“Financial success is simply having more than you need. Reading this book will put you on your way to achieving that success.”

David E. Hultstrom, MBA, CFP, CFA, ChFC  
*Financial Architects, LLC, Financial Planning & Wealth Management*

“Had I read this book in my 20’s, I’d be financially independent today. It’s a remarkable blend of fabulous research with clear and lively writing. You’d pay an expert quite a sum for this caliber of counsel. That’s why I say that the best investment you make this year just might be this book. Your second best investment will be the copies you buy for your children.”

Dr. Dwight “Ike” Reighard

Executive Vice President and Chief People Officer, HomeBanc – One of Fortune’s 100 Best Places to Work, four years in a row

“As a practicing CPA and financial counselor for the past 35 years, I’ve read scores of books and periodicals on personal finance. Just when you think you’ve heard it all, something like this comes along. It’s rare and refreshing to find a book so enjoyable, so accurate, and so life-changing. I’m purchasing hundreds of copies to give away to graduating seniors.”

Larry Winter,

Winter & Scoggins, CPAs

Certified Valuation Analyst, Certified Fraud Examiner, Personal Financial Planning Specialist



*For my wife, Cherie: my love and my inspiration. For my seven sons:  
Steve, Josh, Andrew, Benjamin, Mark, David and Paul*



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## Preface

### **This book will help you to:**

- get out of debt and accumulate wealth.
- get ahead, even when the work you love doesn't produce big bucks.
- find your strengths and passions and make a living with them.
- live a more fulfilled life.

You'll discover the wisdom of the great makers and accumulators of wealth, presented in a story form to help you understand, internalize and have fun in the process. You'll learn investing from Warren Buffett, the world's greatest investor and wealthiest man in the world. You'll learn principles of business success from Sam Walton, the uber-successful founder of Wal-Mart. You'll find advice on landing and succeeding in a dream job from experts in career guidance.

### **Is This Book for Me?**

You're never too young or too old to discover these ageless principles. They apply to the seasoned business executive as well as the entrepreneur with his first lemonade stand. Warren Buffet caught his vision at age five and started investing at age 11. My grandmother started multiplying her money in her mid-60's. At age one hundred and two, with her sharp mind intact, she's accumulated a small fortune.

### **What's Unique About This Book?**

Many books teach personal money management. Some of them are good. But, as Paul A. Samuelson (MIT Professor of Economics and Nobel Laureate) said:

*"The same surgeon general who required cigarette packages to say 'Warning, this product may be dangerous to your health' ought to require that 99 out of 100 books written on personal finance carry that same label. The exceptions are rare."*<sup>1</sup>

I strove to be one of those exceptions by basing my advice not just upon years of personal experience, but upon the knowledge and experiences of well over one hundred wise people. In the process, my house at times bore more resemblance to the famed library of Alexandria than to a home.

But each new book or interview seemed to offer new angles or fresh insights, often pointing to new paths just begging to be traveled.<sup>2</sup>

After writing my first draft, I put it into the hands of over forty smart people I respect, asking them, "If you could put a lifetime of financial wisdom into a book, is this what you'd say? Be ruthlessly honest!" Their input proved invaluable.

Essentially, I distill the wisdom of the wise on working hard, working smart, saving, investing and giving - all the ageless basics - applied to today's world. I was especially fascinated with the counterintuitive nature of so much of their advice. The more you study the successful, the more you see why most people aren't very successful. The path to financial freedom isn't the path that initially appears obvious. Thus, the need for books to challenge the conventional thinking of popular culture.

I cover critical topics often left out of books of this nature. For example, the excellent studies of millionaires by professors Thomas Stanley and William Danko found that character traits such as integrity, diligence and thrift are shared by most who accumulate wealth.<sup>3</sup> The massive Gallup study of managers and people at work helps us discover our passions and strengths and put them to work in a fulfilling career.<sup>4</sup>

Finally, people usually seek money, not as an end in itself, but as a way to find peace and happiness. Funny that so many money books assume that lots of money will automatically cure our ills and put smiles on our faces. When does money help lead us to happiness? When does it hinder our happiness? Social scientists have studied happiness extensively and drawn some fascinating, counterintuitive conclusions.<sup>5</sup> Isn't happiness important to consider in handling your money?

Money management can be exciting! I believe that this story of Antonio, Akashi, James, Amy and their mentors can build some of that excitement. It's fun to beat the system. It's fun to see your money grow. It's fun to feel successful. It's fun to have enough money to help others. To this end, I hope you have fun reading my book.

## **Introduction: From Cliff Hanger to Hash Brown's**

### **AUGUST 15, 2005, SOMEWHERE IN THE MONTANA ROCKIES...**

Dangling off the edge of a massive rock, something had to give. Antonio could no longer hang on to both his well-chalked handhold and his struggling, neophyte climber - a Down 's syndrome teen named Chad.

Antonio shot a piercing glance directly into Chad's fear-filled eyes. "I've got to let go of ya, Chad! Trust in what you've learned and hang on to that rope!"

After the briefest silent prayer, Antonio let go....

Chad let out a blood-curdling scream, which quickly shifted into quiet concentration as he relaxed his death-grip on the rope and let it slide through the carabineers. He pushed off of the rock and began bouncing down the cliff. Rappelling with newly found confidence and his own distinctive style, his silence erupted into laughter. Chad had conquered yet another challenge during his week-long retreat with *Extreme Wisdom Wilderness Adventures*.

Antonio free-climbed his way down the adjacent rock, shouting triumphantly to the cloudless sky, "What a job! The wilderness is my office. My clients love me. I'm changing the world, one person at a time!"

Then, he chuckled to himself as his mind rewound to a decade earlier, to "In School Suspension," "The Counterculture Club," and that loony old Mrs. Kramer, who turned out to have more sense than anyone he'd ever met.

"Without them," Antonio thought, "I could have never landed this dream job. Not the way I handled my money back in high school. When I get back to civilization, I'm calling a reunion of the "The Counterculture Club."

### **11:00 PM, TWO MONTHS LATER, HASH BROWN'S BREAKFAST BAR IN ACWORTH, GEORGIA...**

Second-shift manager Larry Wiersbe was experiencing a rare lull in customers until four rowdy twenty-somethings suddenly charged in, looking like they'd stepped straight out of a culturally-sensitive brochure: an Asian girl, an African-American guy, an alternative-looking Caucasian girl and a Hispanic guy.

Larry introduced himself, took their orders and retreated to the grill until a sudden movement forced him to glance at the crowd. The Asian had jumped up suddenly and was swinging her glass Ketchup bottle over her shoulder like the start of a tennis serve. Then, she brought it down forcibly toward the table. Before he could intervene, she stepped back just far enough to miss the table. Riotous laughter followed, until an elderly lady appeared in the entranceway. She pointed her cane at the small party and announced at the top of her lungs, "I christen thee, 'The Counterculture Club!'"

"Mrs. Kramer!" the Hispanic shouted, as they sprang from their seats to hug their old mentor and friend. High fives, hand slaps and severely dated hand-shakes followed. After all the commotion, Larry half expected them to boost the old lady overhead and body surf her to the table. Instead, they led her gently by her hands, respectfully seating her at the head.

His curiosity piqued, Larry followed their loud conversation from the grill.

"You crazy kids!" Mrs. Kramer began. "What in the world have you been up to? You kept me up-to-date with e-mails and an occasional meeting for a few short years, but then you fell off the face of the earth, you ungrateful bums!"

"You were never one to beat around the bush," Antonio said sheepishly. "I'll be the first to plead guilty to the charge of not writing..."

"Enough with the boring confessional," Mrs. Kramer broke in. "I'm dying to catch up with your lives!"

For the next hour, Larry listened intently to some incredible success stories. Although far from perfect, these people seemed to "get" something that Larry didn't. They exuded vision, goals, purpose. Much of the conversation revolved around finances – refusing debt, making, saving and investing money. But then the conversation would move seamlessly to finding fulfillment in serving others with their time and money.

Larry knew he didn't fit in. He shared their age, but that was it. The three credit cards in his wallet were stretched to the max. He worked two dead-end jobs just to keep his head above water. At this rate, he'd never own his own home, much less have the time and resources to help others. And he resolved to never marry a girl who was stupid enough to choose such a loser. Finally, he got the nerve to break in.

"OK guys, it's midnight, closing time. But you've obviously got something I desperately need. Unless you're all high or suffering from delusions of grandeur, you've achieved a freedom that's eluded me all of my life. Can you tell me what you learned from this lady that made your lives into something I'm envying?"

They looked at each other and shrugged.

"I'll cut a deal with you," Larry continued. "If you'll tell me in one hour how you've achieved this... "financial freedom" as you call it, I'll let you hang out as long as you like. Plus, I'll serve you whatever you want. No charge."

"Why not?" said the old lady. Obviously the mouthpiece for the group, she seemed to enjoy taking charge once more. "It would be a hoot to reminisce about old times, and a helpful review for these slow learners. Keep that order pad handy, because you'll need to jot some of this down."

"And you'd better pull up your chair," chuckled the black fellow, "because once you get us started, we'll take more than your hour."

## **In School Suspension**

"I'll start," volunteered the alternative-looking blonde. "I remember that first day vividly because I've relived it in my mind a hundred times since. You wouldn't have recognized me back then. As a fifteen-year-old, I didn't have the cheek-ring or tattoos that today help jump-start conversations while volunteering at the Juvenile Center. Back then, I was a reluctant cheerleader. This unlikely group first met in ISS."

"In School Suspension?" queried Larry.

"If you don't know, you must have been one of the good boys!" teased the Asian.

"So, I walked in to find these three students, but no teacher. I'd hoped someone I knew would be there, but no such luck. An assistant principal broke the ice by stepping in and explaining that our teacher would arrive shortly. Then she asked for our names and wrote them on a legal pad:

***Antonio, Amy, Akashi, James.***

She took another sheet and began to read our crimes, something like this:

## **Flash Back to High School**

"Antonio: Fourteen tardies? We're only into the fifteenth school day!"

"I'm not a morning person," Antonio offered.

"Akashi, sleeping through Algebra again? I figured you'd be good at Math."

"Not all Asians can be Math geniuses, you know," Akashi responded, showing more than a hint of attitude.

"James, caught in the hall without a pass."

"The teacher wasn't around, and when you gotta go, you gotta--"

"Spare me the details. And Amy, what's with parking in the teacher's lot?"

"I was late, and a visitor had taken my spot."

"Typical teens: all victims, none responsible. Anyway, Coach Helms will be in shortly."

As the door closed behind her, Akashi mocked, "Typical teens...all victims, none responsible. And since I'm Asian, of course I sit around studying Math for fun. I'm so tired of this prison of a school. And here I sit in house arrest with a couple of jocks and a cheerleader."

“So you resent being labeled a stereotypical Asian Math whiz but have no problem labeling us as stereotypical preps and jocks?” shot back Antonio. “Can you say ‘hypocrite’?”

“We’re getting off to a bad start,” offered James. “If coach Helms walks in and finds us in a rumble, we’ll be stuck in ISS the rest of the year. Obviously, none of us want to crack a book until we have to. Let’s break through the stereotypes and get to know each other a bit. Surely we have *something* in common. Amy, you’re a cheerleader, right?”

“I hate cheerleading,” complained Amy. “It’s not me at all.”

“What do you mean?” asked Antonio. “You *so* look the part.”

“I’m a rebel living in a preppie world. You see, my brother started dressing goth in high school about the same time as he discovered drugs. My parents, fearing the same would happen to me if I got with the ‘wrong’ crowd, won’t let me near a Hot Topic or thrift store. I understand their concern, but I’m not about to do drugs. I see what they’ve done to my brother. But I’m not comfortable with jocks and preps.

“My parents want the best for me. I don’t want to hurt them. But I’m counting the days till I go off to college, shed these Abercrombies and join a punk band. Alone in my bedroom with my bass, I can keep up with almost any song you give me.”

“Amazing. And you guys probably think I play Soccer,” teased Antonio. “It’s never interested me. I’m more into weightlifting and wilderness adventures, like rock climbing and caving.”

“If you’re into stereotypes, I *do* like basketball and fried chicken,” offered James. “But I *don’t* like watermelon, and I’m *not* on the school basketball team. I spend my after school hours making money. My parents always fight about money, so I plan to make a million by the time I’m 40 so that it won’t be an issue in my family.”

“Parents with money problems, now *that’s* something we’ve got in common,” replied Akashi. “My parents are so obsessed with ‘getting ahead’ that they work day and night and weekends. We live in a nice neighborhood and have great cars, but they can’t enjoy life. They have to work all the time to pay the bills. I’d much rather live in a one room apartment and have time to travel and hang out with my family. Amy, what about your parents?”

“They’d love to teach at the University and write on the side, but they can’t quit their corporate jobs. They need the money. They’ve never been savers. They max out their credit cards over Christmas, pay them off by the end of summer and start the cycle over again the next Christmas.

When my brother went into drug rehab and insurance wouldn’t pay, Mom and Dad had absolutely no savings to draw from. They took out a second loan on the house and are now in worse financial shape than ever. It’s depressing. They’re always tired and worried. I can’t see how they’ll ever dig themselves out of this hole. Antonio?”

“Mom works day and night to support the family. Dad’s a deadbeat. He’s always either looking for a job or complaining about the job he has. Money’s definitely a big issue at home. Mom and Dad argue all the time about it. It gets so bad that I fear Dad will eventually pack up and leave.”

### **Enter Coach Helms**

“Okay class. Sorry to be late. I recognize all of you from previous suspensions, so I’ll dispense with introductory matters. Please open your text books and get to work.”

“Coach Helms, we’ve got problems,” interjected Akashi.

“Hello! That’s why you’re in ISS, Right?” offered Coach Helms.

“Not *those* problems,” explained Akashi. “I’m talking about family problems. Our parents suck with their money.”

“Tell me about it,” said Coach Helms. “I wish I had some answers, but I overslept this morning because I work a night job to make ends meet. I can’t seem to make it on my teacher’s salary.”

“Is everyone in this town hopeless with their money?” asked Akashi. “If you don’t give us some answers, we’ll end up just like our parents – broke, tired and whining all the time. You’re supposed to be our teacher. Give us some direction here.”

Coach Helms thought for a moment, tapping his pencil nervously on the desk. Without looking up, he said, “What about Mrs. Kramer?”

“Old widow Kramer, the Social Studies teacher?” asked James. “I had her for a class. She dresses worse than my grandma...and her car isn’t anything to brag about.”

“She may not look the part,” said Coach Helms, “but my banker says she’s the best money manager he knows. She’s got all kinds of investments going. Besides Social Studies and Business, she also teaches Money Management.”

“Come to think of it,” continued James, “I remember her being hyped about her world travels. I wondered how she paid for it on a teacher’s salary. Maybe she got a big life insurance claim when her husband died. But she can be a little scary... and those riddles...”

“Her personality...,” continued Coach Helms. “She’s definitely a work of art. More Picasso than Norman Rockwell. Been around students so long that I think she’s more comfortable with teens than adults. Hardly ever see her in the teacher’s lounge. Speaks your language.

“She eats second lunch. How about this? I’ll let you eat second lunch. Try to connect with her. Until then, get out those notebooks. I want to see some progress.”

- What are your friends and relatives doing right with their finances that you'd like to emulate?
- What are your friends and relatives doing wrong with their finances that you'd like to avoid?
- What would you like to learn most about making and managing your money?
- For more free discussions and activities for each chapter, visit [www.enjoyyourmoney.org](http://www.enjoyyourmoney.org).



## OLD WIDOW KRAMER

### Fast Forward Reunion

“So we met her for lunch, and she told us her story,” Amy continued. “Tell him about it, Mrs. Kramer.”

“At thirty years of age, my husband died of cancer, leaving me, not with a fat life insurance pay out, but with over \$20,000 in credit card debt and funeral expenses. The monthly payments on those debts were killing me. Every time the phone rang, I knew a debt collector would be on the other end, hounding and threatening me.

So I sold my house and moved into a condo to pay down my debts and reduce my expenses (and avoid mowing that blasted yard). Then, I took a weekend job. The extra job also helped keep my mind off of my grief. I worked like a dog to dig my way out of debt and get those accursed creditors off my back. In a little over four years, I paid those debts in full, on a day I refer to as ‘one of the best days of my life.’ I felt soooo free!

From that experience, I got a bad taste in my mouth about debt. I avoided it like the plague. I vowed to never again make credit card payments unless it was absolutely necessary.

I still owed about \$15,000 on the condo, so I kept my weekend job, putting all my extra money into paying it down. I was amazed at how quickly I paid it off. I was totally debt free! Nobody could take my home from me. It was mine.

With very few expenses, I quit my weekend job and divided the money I used to make in payments into investments, travel and giving to worthy causes. So far, I’ve saved up about \$500,000 toward an early retirement.”

“From \$20,000 in debt to \$500,000 in savings!” reiterated Amy. “That was quite an impressive story – actually, a bit unbelievable at the time.”

Amy continued. "From that short lunch, we knew that there was a lot more wisdom where that came from. And it was more than book wisdom. It came from her experience. She had beaten the system that was killing our parents. If we could learn her lessons at age 18, she could save us tons of headaches along the way."

"More than that," added James, "I decided that she just might hold the key to my dream of making a million dollars by my fortieth birthday and taking early retirement."

"My needs were more emotional," admitted Akashi. "My older siblings were academic overachievers. My parents drilled into me that 'A's in school would set me up for an 'A' career and an 'A' life. But somehow I'd botch up every class with 'C's and 'D's, which I thought would guarantee me a 'C-Minus' life. I was a loser, and felt that everyone saw a huge 'L' tattooed on my forehead. I acted tough, but was scared stiff at the thought of meeting with Mrs. Kramer. Yet, I felt that she offered a glimmer of hope. I was desperate. What did I have to lose?"

"We asked her if she would meet us for breakfast once a week," continued Amy, "to ask questions and learn more. She said that she'd love to, if we'd pay her \$5.00 each per breakfast. She explained that it would be a good lesson for us to pay for wise counsel."

For the next year, we met with her every Saturday morning, here at *Hash Brown's*. Sometimes, we'd discuss a book for a month of meetings. Other times, we'd just ask questions. We'll just tell you about the meetings where she pulled out her notebook and covered new topics. Each week, she exposed us to stuff we'd never learned, either at school or at home. Those meetings changed our lives."



Hmmmmm...

- Was it really possible for Mrs. Kramer to go from \$20,000 in debt to \$500,000 in savings in a span of about 30 years?
- What keeps most people from making such a dramatic turnaround?
- What could have kept Mrs. Kramer from getting into her predicament in the first place?

**PART ONE**

**INVESTING MONEY**

## Breakfast #1: Discover the Basics

“I remember that first meeting well,” volunteered Antonio, wincing. “I’ll tell about the first two breakfasts.

So, I stroll in at 9:04 to find everyone there, waiting on me.”

### Flashback

**Kramer:** You’re four minutes late!

**Antonio:** I have a hard time getting places on time.

**Kramer:** When you’re late, you waste our time. Half of success, financial or otherwise, is showing up...*on time*. It’s so important that I’ll lay out some incentive. If you’re late next week, you pay for the entire breakfast by yourself.

### Fast Forward Reunion

“Everyone but me thought it a splendid idea, so my resistance was outvoted. I was more than a little ticked off, threatening that I just might not show up at all next week. Kramer nonchalantly replied that it was my choice. We learned quickly that if we wanted her advice, it would be on her terms, not ours. She ignored my pouty expression and continued.”

### Flashback

**Kramer:** So you want to learn how to handle your money. Well, if I talk the entire time, I don’t get to eat. So let’s do it this way. We order our food. While we wait for it to come, I tell a story or throw out five to ten minutes of advice while you think and jot down notes.

After the food comes, everyone throws in their thoughts. I want to know *your* experiences with the concept, good or bad. Take your best shots at my ideas. Too much education these days is merely transferring a set of notes from the teacher to the students, without it going through the minds of either.

I’m not easily offended. Tell me why it won’t work for you. Your objections and comments will help us distill each concept into something that will work for *you*. At the end of each session, tell us what you want to deal with the next week. That way, we stay practical. Sound good to you?

(Everyone agreed as the waiter arrived to take our orders.)

**Kramer:** First, I’ll pass out a sheet that should help you to lighten up on your parents. I know that you think they’re totally incompetent buffoons with finances. I

want you to understand the bigger picture of our culture, a big part of the reason for their money issues. Your parents' neighbors, friends and relatives probably handle their money the same way. They're just doing what their culture has taught them. When everybody's doing it, it's hard to question your way of life.

**James:** You're saying that if I were to live with my neighbors for awhile, I'd likely find the same financial problems that Mom and Dad have? I've assumed that their nice cars and smiling faces meant that they were better off than me.

**Kramer:** Wrong assumption. Here's the way many of your friends and neighbors manage their money.



## Personal Finances in America

### According to surveys:

- Ninety-seven percent of workers over 45 say they regret how they spent their money, in light of how much they could have saved.<sup>1</sup>
- Almost one in four adults live paycheck to paycheck.<sup>2</sup>
- Fifty-nine percent of Americans don't save regularly.<sup>3</sup>
- We're getting worse and worse at saving.<sup>4</sup>

Twenty-five years ago, Americans saved over ten percent of their income.

Ten years ago, we saved 4.5 percent.

By 2005, for the first time since the Great Depression, we spent more than we earned.

- Approximately 1,500,000 Americans declare personal bankruptcy each year.<sup>5</sup>
- The average college student graduates with over \$20,000 in debt.<sup>6</sup>
- Most Americans haven't even calculated how much money they need to retire.<sup>7</sup>
- Personal debt is reaching record highs, and personal savings is reaching all time lows.<sup>8</sup>

**James:** That's insane! I'd hoped that retirement would be the time for me to say goodbye to the eight to five grind and relax at a beach house. If I follow the crowd in finances, I'll be worrying about money the rest of my life!

**Akashi:** One in four adults living paycheck to paycheck? Talk about risky living! And adults complain about teens' risky behaviors! A short-term job loss or illness could put them in serious debt and make them lose their houses.

**Amy:** The scary side of it for me is that if we don't do something different, we'll all be over \$20,000 in debt in about six years. Then we'll go to work and live paycheck to paycheck, until we retire in a low rent district, watching *Wheel of Fortune* on one of our four antenna stations, constantly whining about how we regret the way we lived our lives and don't have enough money to have any fun.

**Akashi:** Our kids will probably hate our visits, assuming we're there to ask for another handout!

**Kramer:** Exactly! Somehow, you've got to break loose from a culture that's gone crazy with its finances. Many dig themselves into a deeper hole every day, enjoying life less and less as they spend everything they've got to pay off past debts. In the land of the free, they've become financially enslaved.

(Kramer gets a wild look in her eyes, more animated with each sentence as she rises from her seat.)

You're already different from the mainstream. That's why I relate to you. I challenge you to extend your independent thinking and counterculture attitudes to your finances.

And to that end (she pulls back a glass ketchup bottle high overhead with both hands, waving it menacingly in the air), I christen this group (she brings the bottle back down with increasing speed, aimed directly at the table), THE COUNTERCULTURE CLUB!

(She pulls back the bottle at the last second, missing the table, but sending her students scattering all directions. Kramer erupts into laughter.)

**Amy:** You scared me to death! Did you really have to embarrass us in front of all these people to make that point?

**Kramer:** A little adrenaline is good to help cement points in your memory. You'll never forget this moment. Plus, if you never get over the "Oh my gosh, what's everybody gonna think?" thing, you'll find yourself living everyone else's life, the life of your culture, rather than your own life. I like a little drama now and again to spice things up. Later today I'll get a good laugh out of picturing your faces as you envisioned ketchup exploding all over the restaurant.

**James:** (Settling back into his chair.) A good laugh at our expense! Don't be surprised if you find toilet paper in your yard from your favorite club to test your own embarrassment index. So where were we? Something about how our culture

sucks at finances?

**Kramer:** From the stats on my handout, you know how NOT to handle your finances – the way most others handle *their* finances. You've seen it in your parents and now in the culture at large. Let's transition to how we can do finances *right*. This being the first breakfast, let's start with an overview – some basics of financial wisdom. In the coming weeks, we'll devote entire breakfasts to each principle.

But instead of handing out the list, I want you to draw out the basics from a real person who went counterculture with her finances. From decades of teaching, I've found that students remember stories better than lists; plus, stories are more interesting. As I tell the story, jot down the principles that you think made the person successful.

### **Osceola Enjoys Life and Saves a Fortune**

Some of us might fear that we'll never have enough money to make ends meet and enjoy life. What if your job doesn't pay well, and you can't seem to get ahead? I want to introduce you to Oseola, who has a lot to teach us. She didn't have the advantages of most of us, yet she enjoyed life and saved a ton.

Oseola grew up in a simple house with her grandmother, mother and an aunt. As an eight-year-old, she would wash clothes after school to help make ends meet. Her school education ended at age 12, when she dropped out to care for her sick aunt and work full time at washing.

So far, she's not on anyone's "most likely to succeed" list.

Her work was hard, but she enjoyed it. She washed the old-fashioned way: building a fire under her wash pot, then soaking, washing and boiling a bundle of clothes. Rub. Wrench. Rub again. Rinse. Starch. Hang out to dry. She worked Monday through Saturday, for 75 years, until arthritis forced her into retirement at age 86. She never got to finish school, never had a car and owned few possessions. Her TV received only one station. But that didn't bother her because she never watched it very much anyway.

I can hear you thinking, "Get a life, woman!" But, you see, Oseola *did* have a life – a great life. She didn't desire travel or possessions. She loved her God, her family and her work. Singing and storytelling filled her days with joy and laughter.

She never bought on credit so that she would be financially free. And since she didn't need money for a lot of possessions or travel, she invested it, a little each month. By July 1995, a half year after her retirement, she had saved – get this – \$280,000. That's over a quarter of a million dollars! Then, she stunned the world by giving away over half of it, \$150,000, to establish a college scholarship for needy students, offering others the education she never had.

Until recently, Oseola McCarty referred to herself as a "poor little old colored woman who walked everywhere." No one paid her much attention when she was out. But when the word leaked out about her donation, the world took notice.

She has since received numerous awards, been interviewed on ABC, CNN, NBC, BET and MTV. She's been featured in *Newsweek*, *The New York Times*, *People*, *Life*, *Ebony*, *Essence* and *Jet*. But all that recognition never changed her simple life. You see, she didn't *need* all the recognition. In her own words, "I think my secret was contentment. I was happy with what I had."<sup>9</sup>

Now, compare her to most Americans. Many with huge salaries haven't managed to save a cent. Many are worth less than nothing, worrying constantly about their debts. But Oseola shows me that if she can save over a quarter of a million dollars by washing people's clothes in boiling water over a fire, I can save money as a schoolteacher.

So, what do you think?

### Reflections on Oseola

**Akashi:** I'll start. I think her life sucked. She spent her entire life in a hovel working the same crappy job day in and day out, with only one TV channel for entertainment. She didn't even own a car. What kind of life is that?

**Antonio:** Akashi! Mrs. Kramer is trying to help us out here. Don't be so hard on her!

**Kramer:** I'm the one who sets the ground rules, and I challenge you to be just as outspoken as Akashi. If you other three sit there smiling at each other and sipping your juice while disagreeing in your gut, we're getting nowhere. Say what you think. Be ruthless.

Jack Welch, one of the greatest business leaders of our time, devoted an entire chapter of his book *Winning* to push for *candor*.<sup>10</sup> He observes that we usually don't tell it like it is, fearing we'll hurt people's feelings. He thinks lack of candor is deadly to business.

Lack of candor may be easier in the short-run, but it hurts us in the long-run. Without candor, we don't face reality. Be honest, guys! Do you agree with Akashi?

**Antonio:** I'll be candid with you, Akashi. In ISS you complained about your parents being so wrapped up in their work and living in a ritzy neighborhood that they didn't have time for the important stuff, like family.

Oseola chose relationships over things. She enjoyed working at home, spending time with her relatives and helping others. She didn't secretly desire to get the latest version of Halo or go to Disneyland. She lived life the way she wanted to, had lots of fun and can look back with the satisfaction of knowing she helped others along the way.

Think of Einstein. He never drove a car. He enjoyed thinking more than mansions and hot cars.

**Akashi:** You nailed me. As much as I complain about my parents' obsession with things and money, I'm pretty hooked on some of my things, like always upgrading

to the latest cell phone, playing online games till late at night and the freedom that my car gives me.

But fun is different for everyone. I *do* admire Oseola for bucking the crowd, choosing her own path, finding financial freedom and putting people first.

**Kramer:** We don't have to adopt *everything* about her life. But what *can* we learn from her financial success?

**James:** I'm astounded that she could accumulate such wealth from what must have been a pitiful salary.

**Amy:** I think it's actually pretty simple. She spent less than she made. With no car, low-cost housing and no frivolous spending, she could save more than a lawyer who has a great salary but spends it all on his ritzy house and payments on his Porsche. The first thing I learned from Oseola is: **Live beneath your means.** All of our parents make tons more than Oseola, but I'll bet you that everything they get on Friday is spent by the next Thursday. You can't save if you spend all that you make.

**Akashi:** Look not only at what she *did*, but what she *didn't* do. She didn't own even one credit card. Whereas most of us spend outrageous money in interest, she waited till she could pay cash. I'll bet that one habit saved her thousands and thousands of dollars.

**Kramer:** You bet right, Akashi. In Oseola's own words,

*"I save my money till I can buy something outright."*<sup>11</sup>

**Akashi:** So, principle number two is: **Avoid paying interest.**

**Antonio:** Principle number three: **Save for the future.** If she had a medical emergency, she wouldn't have to sell her house to pay for it.

**James:** She took the money that she would have been paying the credit card companies and invested it, so that she was *receiving* interest rather than giving it away. Over time, it all added up. Principle number four: **Invest over time.**

**Antonio:** **She worked hard at something she enjoyed.** Even a small salary adds up when you put in the hours.

**Kramer:** I think you've summed up the basics of financial wisdom. Think about those principles this week, and see how they apply to your personal finances. In future weeks, we'll talk in much more depth about each principle. What do you want to cover next week?

**James:** I'm fascinated with how Oseola multiplied her money. I want to be financially independent as quickly as possible. How can investments multiply my money so that I can retire in my 40's?

**Kramer:** Is that okay with everyone else?

*(Nods all around)*



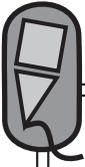
Hmmmmm...

- What facts from the “Personal Finances in America” sheet bother you the most? Why?
- Why do you think Americans struggle with their finances?
- How would your personal finances be different if you handled them more like Oseola?
- Are you living above or below your means? How could you begin living below your means and saving some money each week?
- What can you do this week to start handling your money better?



### Resource to Take You Deeper

Read Oseola McCarty, *Simple Wisdom for Rich Living* (Atlanta: Longstreet Press, 1996).



## Assignment

This week, ask your parents to tell you what they know about investments. Go on the Internet and read some basic articles on stocks and mutual funds. Next week, bring your calculators. What I'll tell you is so extraordinary that you won't believe it unless you see the numbers yourselves.

One more thing! I have a riddle for you to solve:

*To some I'm their greatest nightmare  
To others their greatest friend.  
Neither spirit nor flesh  
I'm not hard to comprehend.*

*I increase the wealth  
Of both paupers and kings,  
Rewarding the wise,  
Robbing fools of their dreams.*

*I work when you work  
Just as hard when you sleep.  
With me Buffett made billions  
If you sow, you can also reap.*

*I'm slow at the beginning  
'Till my power is unfurled.  
It's why bankers and investors say,  
"You're the eighth wonder of the world."*

## Breakfast #2: Catch the Vision

### HASH BROWN'S BREAKFAST BAR, SATURDAY MORNING, 9:00 AM.

*(Antonio enters, wearing a white button down shirt, a shirt-tail hanging out, glasses cocked up on one side, hair frazzled, a massive pocket saver with colored pencils and a killer calculator fit for an aerospace engineer.)*

**Kramer:** So, you decided to dress for success as an accountant?

**Antonio:** That's right. If we're using calculators, I should dress the part.

**Akashi:** Scary. It looks almost natural for you. Is that the real you, Antonio?

**Antonio:** I assumed that the *real* you wouldn't even *own* a calculator. Did you grab one at Wal-Mart on the way?

**Akashi:** Quite perceptive, Antonio. I sacrificed an entire \$2.95.

**Antonio:** Are you sure it will do all the advanced functions, like subtraction and multiplication?

*(Mrs. Kramer followed Antonio and Akashi's bantering with interest. "More playful than mean-spirited," she thought. "Hmmm.... Was that a flash of resentment in her eye...or perhaps...a twinkle?")*

**Kramer:** I think you two ought to settle your differences outside of this meeting, say, a Sunday picnic at Lake Acworth. What do you think?

**Antonio:** *(Obviously taken off guard.)* I...I...I'm not sure Akashi would be into a picnic.

**Akashi:** Why not? 1:00 Sunday at the Pavilion. Pick me up at 12:45. Don't be late and don't *dare* wear that outfit.

**Antonio:** Fine!...I guess....

**Kramer:** Risk. Antonio and Akashi just took a calculated risk. Maybe the picnic won't go so well. But maybe it will. One thing's for certain, if you're not willing to diversify your friendships by getting to know new people, you may never find the right person.

That's a great introduction to investing. Not all investments turn out great. They all require a degree of risk. But *not* investing also carries risk, just like not meeting new people. With investing, you've got to start somewhere, take a calculated risk and diversify so that if two investments bomb, the other eight will make up for them.

You minimize your risk with your knowledge. You've simply *got* to understand what you're doing.

But here I go, rambling on without a story to base it on. As we wait for our food, let me tell you about a little boy named Warren. Jot down lessons from his life on your napkins as I talk.

## Warren Loves Investing

Warren was born in 1930, in the midst of the Great Depression, which stripped his dad of his job and savings. They had food to eat, but that was about all. Perhaps those bleak years built into Warren an early passion to pursue money.

He decided to get rich, very rich. The vision took hold of him before he was five and never left him. From that early age, he passionately pursued his goal.<sup>1</sup>

Seriously ill at age seven, he prophetically told a nurse, “I don’t have much money now, but someday I will and I’ll have my picture in the paper.” In elementary school, he’d tell his classmates that he planned to be rich before his 35th birthday.<sup>2</sup>

His early pursuits seemed endless:

- At age five, he set up a stand in front of his house and sold Chicklets – those tiny, candy-coated pieces of chewing gum. Then he progressed to lemonade, finding a better location at his friend’s house on a busier street.<sup>3</sup>
- On vacation at Lake Okoboji at age six, he bought a six-pack of Cokes and sold them at a profit of five cents per Coke.. (Interestingly, as an adult, he would buy up a huge chunk of the Coca Cola Company, one of his greatest investments.<sup>4</sup>
- Before age 11, he hired neighborhood kids to find golf balls and paid others to sell them, taking his cut. He caddied for golfers at the Omaha Country Club for \$3 a day.<sup>5</sup>

But Warren’s interest went further than merely *making* money. He thought long and hard about *investing* money. By age 11, he’d earned enough to begin investing, so he bought three shares of Cities Service preferred **stock** for \$114 (that’s over \$1,500 in 2008 dollars!)<sup>6</sup>, which he later sold at a profit.

In the 8th grade, a family friend asked Warren about his drive to make money. “It’s not that I *want* money,” he explained. “It’s the fun of making money and watching it grow.”<sup>7</sup>

He continued the pattern of working, saving and investing. And he read everything he could find about business and finance. He grew a paper route into a profitable business, so that at the age of 14, he invested \$1,200 (over \$12,000 in today’s money) in forty acres of Nebraska farmland.<sup>8</sup>



### Define: Stock

A single bit of a company that investors buy and sell. If you own 100 percent of a company’s stock, you own the entire company. Stocks are also called “equities.”

You probably picture Warren at this point as wearing the sharpest clothes, having the best toys and flashing his wealth around. But Warren couldn't have cared less about impressing others. Norma Jean Thurston, a high school classmate, remembers that Warren wore the same tennis shoes year-round, which made him come across as a country bumpkin. Fellow students would joke about it. Norma Jean noted,

*"Most of us were trying to be like everyone else. ...I think he liked being different. ...He was what he was and he never tried to be anything else."<sup>9</sup>*



### Before Reading On...

Reflect: What you can learn from the story?

Warren and a friend, Donald Danley, bought a used pinball machine and enjoyed playing it for hours. Then, they decided to put it in a barber shop and split the profits with the barber. Donald was mechanically inclined, so he fixed the machine when it broke. Warren did the accounting. It went so well that they bought two more and placed them in other barber shops.<sup>10</sup>

By high school graduation, Warren had read over 100 business books and earned over \$5,000 (over \$47,000 in today's money) during summers and after school. From his paper routes, pinball machines and rent from a tenant farmer, he was earning more money than his teachers.<sup>11</sup>

In college, he studied investing under Benjamin Graham, a respected authority on investing. Graham later became his mentor. By college graduation, Warren had saved \$9,800 (over \$75,000 in today's money), which he spent full-time investing, along with other people's money.<sup>12</sup>

By age 31, four years ahead of his elementary school goal, he'd multiplied his savings to \$1,000,000.<sup>13</sup> He kept multiplying that money with rapidly compounding interest until he became the wealthiest man in the world, with a net worth of \$62 Billion in 2008. His full name is Warren Buffet.

He never spent the money on extravagant living, always intending to give the bulk of it away. Today he lives in a modest house, the same one he bought in 1958 for \$31,500.<sup>14</sup> He drives a modest car and buys his Cokes when they're on sale.<sup>15</sup>

He loves his work of researching companies so much that he describes his typical workday as beginning with tap-dancing into the office. Besides his work, his pleasures are simple: playing bridge with his friends, eating a good hamburger at Dairy Queen and washing it down with a Cherry Coke. He probably enjoys it all the more, knowing that he owns a huge portion of both The Coca Cola Company and DQ. So if his tastes are simple, what does he want to do with all that money? His intent from the start was to use his wealth to make a positive impact on the world. He recently committed to give away billions to worthy causes.<sup>16</sup>

So, my budding financial wizards, what can we learn from Warren?

**Amy: Start early.** Think about it. As a kid, he had no expenses: no car, no house payments, no children to feed and his tax rate would have been low. At an age when most of us were watching hours of TV and playing video games, he was saving mounds of cash. I can't imagine someone today saving \$47,000 by high school graduation! By starting so early, his money had more time to grow.<sup>17</sup>

**Antonio: Work hard.** Think of the physical and mental energy he put into his work.

**James:** The mental energy...I suppose that stood out to me. I work a lot, but I don't *study* business. He didn't just work *hard*; he worked *smart*. Devoured one hundred business books by graduation? I've not read even one. **He had a passion to grow in wisdom and found a mentor he could learn from.**

**Akashi: He was his own person, doing what he loved, regardless of what anyone else thought.** Although, in my opinion, he seemed overly obsessed with money, I admire him for charting his own course.

**James:** I like how **he tried various ventures**, from selling Chiclets to putting video games in barber shops to running a paper route to finding and selling golf balls. If one business didn't go well, maybe another would. And hey, these are all ventures that *I* could do. It's not like he programmed a computer operating system or invented the microchip.

**Amy: He lived way beneath his means so that he could save,** something my parents haven't learned to this day. Honestly, it would be difficult for me to have \$1,000 lying around and not find something cool to buy with it.

**Antonio:** And what he saved, **he invested** in land and stocks. But I don't get it. How could \$9,800 grow to billions through investing?

**Kramer: It's called compounding interest.** You won't believe it unless you figure it out yourselves on your calculators. Antonio, you won't need all those higher functions. **Basically, all you need to know is the difference between addition and multiplication**, something that most people haven't thought through. Let's start with a couple of examples:

*(She pulls out a checkerboard and a zip-lock bag full of wheat grain.)*

### **Multiplying Grain**

**Let's start with addition.** I'm placing one grain of wheat on the first block, two on the second and three on the third. If I continue this pattern of adding one grain per block, how many grains will I have on the 64<sup>th</sup> block?

**Amy:** That's easy. Sixty-four grains.

**Kramer: Now fasten your seatbelts. We're moving into multiplication.** Let's start again with one grain of wheat on the first square, but this time we *double* it for the second square, so that you have two grains on the second square, four on the



## Multiplying Paper

(Kramer doesn't think they get it yet, so she sits back down and takes out a sheet of notebook paper.)

"Let's imagine that this paper is 1/1000 of an inch thick. James, tear it in half and stack one on top of the other. How thick is it now?"

**James:** Two thousandths of an inch.

**Kramer:** Multiplication starts out *deceptively slowly*. Don't forget that. Tear it again to make it 4/1000 of an inch and again for 8/1000 of an inch.

**Amy:** That paper's so thin that we're getting nowhere.

**Kramer:** It starts deceptively slow, Amy. *Deceptively slow*. But imagine that we were to tear it and stack it 50 times. Remember, it's doubling in height each time. How high do you think the paper would be?

**Antonio:** I'm starting to catch on. As high as the ceiling?

**James:** I'll guess as high as this building.

**Kramer:** And the answer is (dramatic pause), approximately 17,000,000 miles high, about the distance of 34 trips to the moon!<sup>19</sup>

**Antonio:** That's hard to believe. From 1/1000 of an inch to 17,000,000 miles in only 50 doubles?

**Kramer:** Try it on your calculator when you get home. Trust me for now.

## Multiplying Money

Let's move on from multiplying grain and paper to multiplying money. How did multiplication allow Warren Buffett to catapult his \$9,800 into billions?

With his dogged research and brilliant understanding of companies, he was able to get an extremely high return on his investments. If you double your money every few years, it multiplies beyond your wildest dreams, just like doubling grain and paper. Investors call it "compounding interest," or "compounding growth." It's been called "the eighth wonder of the world."<sup>20</sup> The more you think about it, the more it seems like magic.

**Akashi:** That's all great for Buffett, who loves studying businesses and can choose just the right stocks. But I can't see myself tap dancing into a lonely office to study businesses all day. I assume you've got to do that to predict which business will do better than average.

**Kramer:** Actually, you don't have to be a Warren Buffett to get multiplication working for you. I'm with you; I don't want to spend my weekends pouring through

the financial reports of businesses. I invest in stocks the lazy, easy way, with **Mutual Funds**.

**Akashi:** My parents told me about stock mutual funds. So an investment company pools lots of people's money to buy stock in lots of companies. That spreads my risk through many companies. But won't some of those companies go down in value?

**Kramer:** True, but others will go up. When you average them all together, over the long-haul, the return is still good enough to multiply your money incredibly. I'll give you an example.

A *Total Stock Market Index Fund* tries to track the behavior of the entire stock market by investing in many different types of businesses. If you buy some shares of the fund, you own a little bit of utility companies, real estate companies, hospitals, pharmaceuticals, retail stores, oil companies, high tech companies – well, you get the idea.

Since 1926, stocks have averaged a return of slightly over 10 percent per year.<sup>21</sup> Some years they go down; some years they go up. But if you kept the stocks through the good and bad times, you'd have averaged over 10 percent.

Let's say you save up \$5,000 and invest it at the age of twenty in a Total Stock Market Index Fund. In the coming weeks we'll talk more about what this is. Trust me for now.

If it grows at an average of 10 percent per year, how many years will it take that \$5,000 to double to \$10,000?

You figure it by taking 10 percent of \$5,000 ( $5000 \times .10$ ) and adding it back to the \$5,000, giving you \$5,500 after the first year. To figure the second year, take 10 percent of the \$5,500 and add it back in. Do it for each new year until it's doubled. Got it?

Men and women, to your calculators!

(Antonio whips his out of his shirt pocket with bravado.)

#### HOW THEY CALCULATED IT

Starting with \$5,000

Year One: \$5,500  
 $(\$5,000 \times .10 = \$500. \$5,000 + \$500 = \$5,500)$

Year Two: \$6,050  
 $(\$5,500 \times .10 = \$550. \$5,500 + \$550 = \$6,050)$

Year Three: \$6,655  
 Year Four: \$7,320  
 Year Five: \$8,052  
 Year Six: \$8,857  
 Year Seven: \$9,742  
 Year Eight: \$10,716

#### Define: Mutual Funds

Investments where investors pool their money into stocks, bonds, and/or cash equivalents. Mutual funds make investing easier, cheaper and safer.

**Amy:** (Raising her hand in triumph) It doesn't work out exactly, but it doubles approximately every seven years.

**Antonio:** OK, so it grew by \$5,000 in seven years. It still looks like it's gonna take forever to accumulate anything significant.

**Kramer:** Like most people, you've been deceived. Remember, *multiplication starts out slowly*. **Don't think of it as making \$5,000 in seven years. Think of it as doubling in seven years.** In each succeeding set of seven years, you'll make increasingly more than \$5,000 because you're *multiplying* rather than *adding*.

#### HOW THEY CALCULATED IT

Age 20: \$5,000  
 Age 27: \$10,000  
 Age 34: \$20,000  
 Age 41: \$40,000  
 Age 48: \$80,000  
 Age 55: \$160,000  
 Age 62: \$320,000  
 Age 69: \$640,000  
 Age 76: \$1,280,000

### Estimating Investment Growth, With Only Three Calculator Keys

**Kramer:** So at age 20, you started with \$5,000. Seven years later, at age 27, you've doubled that to about \$10,000. Now it's much easier to figure. It will double approximately every seven years. Back to your calculators! How many years will it take before you have a million dollars?

**Akashi:** So all I have to do is put \$5,000 into my calculator and hit three keys: "x", "2" and "="?

**Kramer:** Right. It's incredibly easy. For investing, Buffett never uses Algebra. He says that, "If calculus were required, I'd have to go back to delivering papers."<sup>22</sup>

**James:** (Raising his hand and glancing an "I beat you!" look at Amy) You'll have your million somewhere between the ages of 69 and 76.

### The Laws of 10's and 7's

**Kramer:** We just used the "Laws of 10's and 7's," two of the most useful tools for estimating your return on investments.

Here they are:

**MONEY INVESTED AT 10 PERCENT INTEREST DOUBLES APPROXIMATELY EVERY 7 YEARS.**

**MONEY INVESTED AT 7 PERCENT INTEREST DOUBLES APPROXIMATELY EVERY 10 YEARS.**

Remember these. We'll keep using them in the coming weeks so that they'll become second nature to you.

## Reflections

**Kramer:** Okay guys, what are your thoughts?

**Akashi:** It's not just that we made \$1,000,000, but that we made it *with so little effort*. In fact, once we made the investment, there was no effort, time or work needed on our part. It's almost like the money did the work.

**Kramer:** Killer point, Akashi! It's *passive* rather than *active*. Money gurus put it this way:

***Don't just work for your money; get your money working for you.***

If a car hit you at the age of 21 and you lay in a coma until the age of 74, you'd wake up and still have your million. While you were sleeping, your money was working, silently but relentlessly, in the background.

**Amy:** I'm impressed with the difference between the yearly increases from the early years to the latter years. In the first seven years, you made only \$5,000. But in the final seven years, your money made \$640,000! In the next seven years, it would add well over \$1,000,000! It's like your money gets better at making money as the years go by.

**Antonio:** I'll bet a lot of people get itchy fingers during those slow, early years. They put \$5,000 into a fund that makes another \$5,000 in seven years and they think, "That's not very much. I'll never get rich at this rate." So they take the money out and buy a country club membership instead.

**Amy:** (tap, tap, tap) On early investing...let's say that I have a twin sister. I start investing at age 20, but she puts off starting to invest until age 27. Most would think, "Big deal. You'll be investing for 50 years, what difference could a seven year lag mean?" Actually, it means that my money gets to double one more time than hers, so that when we're both age 62 she's got \$160,000, and I've got twice that much: \$320,000.

**Kramer:** Since doubling starts out so slowly, few multiply it out to understand **the power of that last double.**<sup>23</sup>

Remember the Oseola story from last week? When someone asked about her secret to multiplying her money she said,



### The Rule of 72

The "Laws of 10's and 7's" works only for interest rates of 7 percent and 10 percent. To estimate your money's growth at any interest rate, divide 72 by the interest rate to discover how many years it will take your investment to double.

You invested \$1000 in a long-term bond that will average 6 percent interest. It will double in  $72 / 6 = 12$  years. (Note: neither "The Laws of 10's and 7's" nor "The Rule of 72" are exact, but they are close enough to help us estimate returns and grasp the power of doubling.)

***“The secret of building a fortune is compounding interest. It’s not the ones who make big money, but the ones who know how to save who get ahead. You’ve got to leave your investment alone long enough for it to increase.”<sup>24</sup>***

Very few people can think long term. Buffett was the greatest. He’d have a hard time spending \$500 on something trivial today, knowing that it could become over \$50,000 in 50 years, if invested at 10% interest.

**James:** Two problems. First, that’s not soon enough for me. I don’t want to wait until I’m 74 to get my million dollars. I’m afraid I’ll be so old that I can’t enjoy it. I’d like to have it at least by the time I’m 45. Second, since I failed to save up as early as Buffett, I think all my early savings will go toward college. Realistically, in four years, I’ll graduate with nothing to invest.

**Kramer:** What do you guys recommend to James?

**Antonio:** I suppose that after college graduation, at age 22, he could start putting in a portion of his salary each month. Just do the math and see how much he’d have to put in each month to make his million at the age he decides.

**Kramer:** Good suggestion. Most of us will invest little by little over time, rather than all at once. Let me crank up my computer and surf to one of those online interest calculators. We can thank Hash Brown for making his restaurant into an internet hot spot last year. Amy, would you mind taking the computer and running the numbers? Just Google “interest calculator” and you’ll find scads of them.

**Amy:** My pleasure!

### **Multiplying an Average Salary**

**Kramer:** The average teacher in the USA made \$46,000 this year.<sup>25</sup> Let’s assume that James earns a teacher’s salary. Of course, he’d make less starting out and more as he got older. But to simplify matters, let’s say he makes \$46,000 from the start. At age 22, he puts 1/10 of his monthly salary (\$383) into a mutual fund which grows at an average of 10 percent per year. At what age can he retire as a millionaire?

**Amy:** In 31 years, at age 53, he’d have over \$1,070,000!

**James:** Yeeehaaa! Independence Day! Sooner! Sooner! How can I get my million sooner, say in my 30’s?

**Amy:** Invest more than 10 percent each month, or start investing earlier.

**Kramer:** That works.

**Akashi:** What if he could get more than 10 percent interest? Some companies gain 20 percent or more in a year. Why not invest in them?

**Kramer:** IF you can figure out which companies will beat the market. That’s a

big “IF.” To get higher returns, people take more risk. Some do well at predicting stocks, but the great majority lose money playing the stock market. “Get rich quick” schemes don’t usually have happy endings.

But I’ll have to admit that some investors beat the market over time. That’s the way the great Buffett did it. Incredibly, he averaged over 29 percent per year!

**James:** Throw that 29 percent into that online interest calculator!

**Amy:** Let’s see. Starting at age 22 with nothing, the average teacher would invest one tenth of her salary at \$383 per month. If she got 29 percent interest, she’d be a millionaire in 15 years, at age 37.

**James:** So *that’s* how Buffett did it. He saved his money and invested it early at an incredible rate. It made him a millionaire in his 30’s, a billionaire later.

**Kramer:** But Buffett’s the best of the best. He rules the investing world like no other. His mind works in a way that’s superbly suited for understanding businesses. Plus, he absolutely loves spending his days thinking about businesses. He’s obsessed with it!<sup>26</sup>

**James:** But even if I could get a couple of percentage points above that 10 percent....

**Kramer:** Perhaps. And some do. We’ll talk about that at a later breakfast.

**My big point today is this: by starting early and investing 10 percent of a teacher’s salary in an index fund to match the market rate, you will likely have a million dollars in your early 50’s.**

I’ll let next week’s guest, who knows a lot about investing, tell you about the possibilities and pitfalls of trying to beat the market.

**Antonio:** Do we need to wear suits?

**Kramer:** (Laughing.) Not for *this* investor. He’d probably be more comfortable if you dressed like hippies and greeted him with a peace sign.

## The Riddle

**Amy:** Before we leave, may I guess the answer to the riddle?

**Kramer:** Take a swing.

**Amy:** Is it “money”?

**Antonio:** But how does money “rob fools”?

**Akashi:** I don’t understand how every line applies, but is it “compound interest”?

**Kramer:** Bravo! Let’s take apart the riddle with what we learned today.

***To some I'm their greatest nightmare  
To others their greatest friend.***

How could compound interest be someone's "greatest nightmare"?

**Antonio:** When it's working against him, like a huge credit card debt at 16 percent interest.

***Neither spirit nor flesh  
I'm not hard to comprehend.***

**Akashi:** It is pretty simple. You're just multiplying times two.

***I increase the wealth  
Of both paupers and kings***

**James:** It works for anyone who invests wisely.

***Rewarding the wise  
Robbing fools of their dreams.***

**Amy:** Again, Buffett receives interest while the foolish pay interest.

***I'll work for you when you work  
Just as hard when you sleep.***

**Antonio:** If Buffett fell into a coma, compound interest would keep working.

***Buffett used me to make his billions.  
If you sow, you can also reap.***

***I'm slow at the beginning,  
Till my power is unfurled.***

**Amy:** Deceptively slow at the beginning, until it's multiplying greater amounts.

***It's why bankers and investors say,  
"You're the eighth wonder of the world."***

**Kramer:** It's true. Money managers recognize its magic, its wonder. Reflect on it this week. Pound it out on those calculators. Slowly, its magic will dawn upon you as well.

What are the main points you want to walk away with?

### **Summing it Up**

**Akashi:** *Work hard and save now, while I'm mooching off my parents and don't have a lot of expenses.*

**James:** *Start investing early so that my money has time to multiply.*

**Amy:** *Even a little invested regularly grows wildly, crazily, given enough time.*

**Antonio:** *I don't have to be a lawyer or doctor to make a million.*

### The Hand Plan

Akashi, you've just got to let the gang in on that cool memory device you came up with this week.

**Akashi:** OK. I have a hard time memorizing stuff in classes. So, I make up these crazy visual ways of remembering things. I didn't want to forget what we'd learned from Oseola, so I figured out a way to remember it on my hand. It seems to work with Warren Buffett's life as well. Antonio calls it "The Hand Plan." I took pics of my brother's hand and printed it all on a sheet of paper. Mrs. Kramer helped me word it and added her thoughts.

**James:** Cool! Let's see it!

**Akashi:** Here's what it looks like:



**Catch a vision! (Thumbs up)** Most aim at nothing...and hit it every time. Buffett caught his financial vision in elementary school and never let it go. A long-range goal transforms accumulating wealth into a fun game.



**Work hard! (Finger pointing at you like a foreman)** Most first-generation millionaires say they work harder than most people. Buffett and Sam Walton (founder of Wal-Mart) began early with paper routes and odd jobs. Oseola worked hard all her life.



**Get Wisdom! (Central Finger)** This includes sharpening your skills and growing in knowledge. If you're the most skilled in your trade, you'll likely be the best paid and least likely to be fired during a recession. Buffett read over 100 business books by his high school graduation.



**Commit Yourself to Live Waaayyy Beneath Your Means! (Ring Finger)** Many millionaires work the same jobs as average people, but they have learned to live cheaply so they can save and invest.



**Invest Regularly! (Pinky)** It may be small, but investing \$20 a week starting early in life can multiply into millions.

So what's it all for? To buy bigger toys? To impress people?



**HELP OTHERS! (Lend a Hand)** The fun of having money goes beyond having more things. Money allows us to help others in need and make a difference in the world. Buffett always planned on giving it away. Many studies show that giving people are happier people.

**Kramer:** What a “handy” summary! Thanks Akashi!

- What keeps most of us from saving and investing while we're young?
- Which of Buffett's habits have you already adopted?
- Where do you fall short?
- How do you think young Warren managed to buck the crowd and resist spending all his money during his youth?
- What can you take away from this breakfast to help you do better with your money this week?



HMMMMM...



### Assignment Between Breakfasts

1. Study up on stocks and mutual funds on the web. Know what they are.
2. Ask your parents and friends what they know about investing in stocks.
3. Come up with at least five good questions about investing in stocks.



### Resources to Take You Deeper

- **Alice Schroeder, *The Snowball: Warren Buffett and the Business of Life* (New York, Bantam Books, 2008).** Not yet published as I write, this authorized biography (based upon hundreds of hours interviewing Buffett), should give new insights into his remarkable life.
- **Roger Lowenstein, *Buffett: The Making of an American Capitalist* (New York: Main Street Books, 1995).** I'm especially intrigued by the early chapters detailing Buffett's childhood through college years. It's a great example of the power of early earning and investing.
- **For a more detailed and teachable description of "The Hand Plan,"** see [www.enjoyyourmoney.org](http://www.enjoyyourmoney.org).