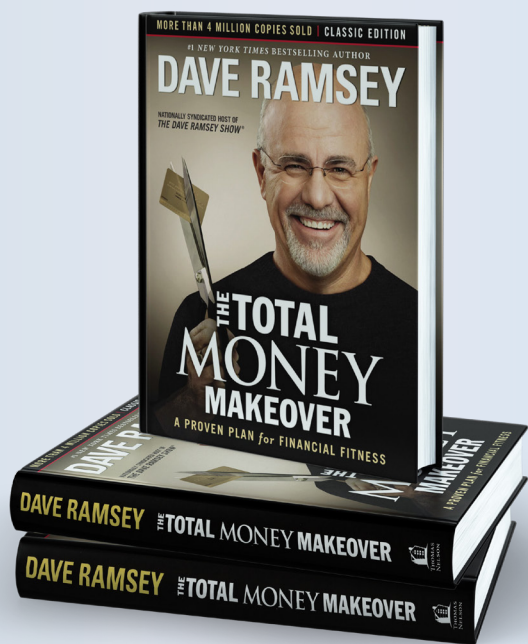


BOOK SNAPS™

Zooming In On Your Next Read



The Total Money Makeover

By Dave Ramsey

Dave Ramsey is America's trusted voice on money and business. He's authored five New York Times best-selling books: *Financial Peace*, *More Than Enough*, *The Total Money Makeover*, *EntreLeadership*, and *Smart Money Smart Kids*. "The Dave Ramsey Show" is heard by more than 8.5 million listeners each week on more than 550 radio stations, "The Dave Ramsey Show" channel on iHeartRadio, and a 24-hour online streaming video channel. Ramsey Solutions offers a suite of products and services to help people get control of their finances and other aspects of their lives.

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3rd Edition

A Proven Plan for Financial Fitness

Many years ago, Dave Ramsey answered a calling that has since helped millions of people "set themselves free financially." Ramsey believes that most of us understand the common sense of what we are supposed to do with money but we don't actually do it. He says that "personal finance is 80 percent behavior and only 20 percent head knowledge." The main problem people have with their money is the person "in the mirror." He realized "that to change your money thing, you have to change. When you change your life, you will get out of debt, give, and invest at an unbelievable rate."

American families work hard, yet they find themselves financially "sick and tired." Becoming financially healthy leads to positive changes in all aspects of a person's life. Ramsey's *The Total Money Makeover* is the tool a person of any income level can use to realize financial health and wellbeing and, perhaps most importantly, it gives these exhausted families hope for a strong financial future. Ramsey's book provides people with a plan that focuses on the how of wealth building, not on the what, inspiring "readers to take immediate action through a simple, step-by-step process that leads to life-changing results."

Ramsey does, in fact, have the education, licenses, and experience that make him a credible financial advisor. However, this is not something he stresses when inviting people to take his makeover challenge. Refreshingly, the most important qualification he leverages for teaching others about money is that he has "done stupid things with zeros on the end. He has been there, done that. He has a PHD in D-U-M-B. He knows what it is like to be scared and scarred. He knows what it is like to have his marriage hanging by a thread because of financial stress. He knows what it is like to have his hopes and dreams crushed by his own stupid decisions. That qualifies him uniquely to teach and to love people who are hurting financially."

If you count yourself among the masses of Americans who are ready to get their financial house in order, Ramsey has great news for you. You can do it if you will do it. It's entirely your responsibility to "confront that [wo]man in the mirror," get moving, and cross that finish line.



Just Fine

When your physical body becomes overweight, it is difficult to deny that it's happening. Your pants become harder to button and your belt has to be continually widened. When you are "financially fat" it is far easier to deny you have a problem. You look in the mirror and things look pretty good. You have a house, a car or two, a student loan, and some credit card debt, all which are manageable with your salary. But what if you get laid off? What if your meager savings aren't enough to cover a totally unexpected large expense? People in this position become "apathetic because everything seems just fine." Ramsey says you are actually in denial and that puts you in much "greater danger" than you realize.

The problem with denial is that financial demise usually happens slowly over time. We believe that everything is okay when in reality, we are becoming complacent and it just may spell the end for us. Like a frog slowly boiling to death in a pot of water, we think we are okay but our lives are actually on the line.

Ramsey writes, "The enemy of 'the best' is not 'the worst.' The enemy of the best is 'just fine.'" Many of us won't find the courage and focus to change until we are in pain. If you are trying to avoid heart failure, you would be wise to "cut the carbs, the fats, the sugars, and lace up the running shoes now." The same is true when you want to avoid financial ruin. You have to start moving towards freedom now. Refuse to live with being "just fine" and take on the "pain of change" before "the pain of where you are" is too great.

There's No Such Thing as Easy Money

When it comes to money, so many people search in vain for a shortcut. No matter how much we long to "become healthy, wealthy, and wise with no effort and with no risk, it will never happen." The old adage that says "if it seems too good to be true, it probably is" holds firm when it comes to making money. Get rich quick schemes and risk denial are symptoms of our desire to win without effort. They are a "kind of laziness" that permeates our society and makes people fall again and again for a lie that will only lead to loss. "Money denial always involves an illusion, followed by disillusionment."

Any "investment" that promises to yield ridiculously good returns is a scam. If a program promises to earn you a six-figure income working only a few hours a week, you should run as fast as you can in the other direction. If you think that your future will be built on winning the lottery, if you only play frequently enough, you are delusional. These promises are lies and these programs are garbage. They are designed to trick you, extracting as much money as possible from you, not funneling it towards you.

The Ingrained Myth of Debt

Americans are living a lie so ingrained in our society that it has reached myth status. We are repeatedly sold the idea that taking on debt is just the way things are done. It is the way we get the

things that we want now without having to wait. Ramsey asserts, "The financial and banking industries, in particular, are very good at teaching us their way of handling money, which, of course, leads us to buy their products." Since everyone around us is doing it that very same way, we think it is normal, "even if it is stupid." Worse still, we buy into the myth so completely that we sell the idea to everyone around us, further perpetuating the false belief that this is what is best for all of us.

Our cultural view of debt is one of the major barriers holding us back from financial freedom. Oddly, when we decide to get ourselves out of debt and start taking steps to do that, we are often faced with "ridicule" from family and friends around us. Those still mired in the myth of debt cannot conceive of a "car without a payment, a house without a mortgage, a student without a loan, and credit without a card." The myth is insidious and difficult to deny.

We are taught that debt is "a tool that should be used to create prosperity." Ramsey points out that debt actually "adds considerable risk, most often doesn't bring prosperity, and isn't used by wealthy people nearly as much as we are led to believe." In fact, many rich people "detest debt." The Forbes 400 is a list of the 400 richest people in America, published by Forbes magazine. 75% of the people on that list responded in a survey that "the best way to build wealth is to become and stay debt-free." Debt is "the most aggressively marketed product in our culture today." Escape being a mythsayer, don't believe the lie, and put a target on your debt until you have completely eliminated it.

The Debt Snowball

One of the most impactful tools that Ramsey teaches to get back on the right track financially is The Debt Snowball. He begins with the premise that "your most powerful wealth-building tool is your income." No matter how creatively you think or hard you focus on investing in the right instruments, you will not be able to build wealth "until you get control and full use of your income." Paramount to that idea is the elimination of debt. Debt is "the enemy" in your fight for financial freedom.

A typical family has "a car payment, a student loan, credit cards, medical bills, and a mortgage." Think about what would happen if that family didn't have those payments. Ramsey illustrates the math. He assumes that the payments of a normal family come to \$1995 per month. If that money were invested "instead of being sent to creditors, they would be cash mutual-fund millionaires in just fifteen years!" The following years would bring on compounding interest, making the fund grow even faster. In just 28 years, that family would have \$5.5 million. It's all about having the money available to invest, which requires the elimination of debt.

People always find it hard to see how they can get there, but Ramsey encourages readers to hear him out. He has walked this path with so many before and knows it can work for you, too. The Debt Snowball is the place to start. Ramsey makes no bones about it. His method is "very difficult" but it is also "foolproof." Here's how it works.



In order to successfully snowball your debt, you have to be intensely focused. You have to be willing to put “getting out of debt” at the top of your priority list and really mean it.

- List all of your debts from smallest to largest, excluding the mortgage. Listing them this way allows for some “quick wins,” which fuels motivation and gets you fired up. Do not underestimate the psychological power of these initial pay-offs on small debts. They will be instrumental in changing behavior, which is key to success.
- “Pay the minimum payment to stay current on all debts except the smallest.” Every spare nickel you have available should go “towards that smallest debt until it is paid.” Once it is paid off completely, you pump your fist and move on to the next one on the list.
- Now, all the money you had been paying to the smallest debt gets paid towards the next debt on your list. On top of that, you throw any extra money you find on top. Once you get going, you will be shocked to see how much money you start “finding.”
- Here’s where it gets good. You attack the debts, one after the other. “Everytime the Snowball rolls over, it picks up more snow and gets larger, and by the time you get to the bottom, you have an avalanche.”
- As you near the bottom of this list, you will find that you have “well over \$1000” available to put towards larger debts like the car payment or student loan. “At that point, it won’t take long to bust out and be debt-free except for the house.”

In order to successfully snowball your debt, you have to be intensely focused. You have to be willing to put “getting out of debt” at the top of your priority list and really mean it. It requires sacrifice, strict budgeting, and commitment.

A Firm Foundation and Retiring With Dignity

After you have attacked your debt successfully, Ramsey recommends you save \$1000 as a start to an emergency fund. Things will start feeling really great at that point and your confidence will be soaring. Now, it’s time to work on “fully funding” the emergency account, which should cover “three to six months of expenses,” depending on your circumstances. Someone in a more “stable” job situation, such as long-term government employment, can get by with a three-month fund. Those in riskier situations, such as a real estate agent, should go with a six-month fund.

This stockpile is where you will turn when the unexpected happens, and data shows that it will happen to most of us. “Money magazine says that 78 percent of us will have a major unex-

pected event within the next ten years.” An emergency fund will ensure that you get through it on your feet. This “big savings account” will be the “strong foundation in your financial house.”

The next focus of your financial attention needs to go towards investing for retirement. In our society, retirement has turned into “saving enough money so you can quit the job you hate.” Ramsey does not believe in that jaded view. Instead, retirement should be synonymous with “security.” In retirement, your money should be working harder than you do, giving you the option to choose how you spend your time. To retire “with dignity” you need to invest “15% of your gross income” in a mutual fund. Ramsey submits that “there is no excuse to retire without dignity in the United States today.” Over a working life, most people will see “well over \$2 million pass through their hands.” You have to “do something about catching some of that money.”

The Total Money Makeover was originally published in 2003 and has sold more than five million copies. The program’s endurance alone is a testament to its efficacy. Legions of Americans have followed the method to gain financial freedom and are evangelical in their praise for it, which adds to its lasting power. Ramsey has a unique voice that pulls readers in and makes them immediately feel understood and empowered. This ability to relate, which stems from his own experience climbing out of financial ruin, serves as a potent catalyst, encouraging people who feel completely out of control to get back in the driver’s seat.

Ingeniously, Ramsey likens the entire process to the act of getting physically fit, which is a familiar concept to nearly every American. You can start this process being “financially flabby, overweight with debt, out of shape in savings, and in desperate need of a personal trainer.” Ramsey assumes that leadership position naturally and genuinely, guiding readers along to financial health. His directness, disenfranchisement with government, humor, and Christianity only add to his allure and receptiveness with his targeted audience.

Throughout the book, Ramsey tells readers “if you will live like no one else, later you can live like no one else.” This sums up Ramsey’s approach perfectly. To achieve financial fitness, you must break away from what the rest of society is doing, because they are doing it wrong. Sacrifice and be different today and you will be afforded a financially bright future tomorrow and forever more.