Get Good with Money: Ten Simple Steps to Becoming Financially Whole

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Book Summary

How often do you have conversations which revolve around money and the importance of being financially secure? In today's evolving world, having a job and saving up a portion of it is not sufficient any longer – to be financially sound, you need to meet a range of metrics – from your investment figures to your insurance and spending numbers – everything must align properly if you wish to be financially whole. If you have been struggling with making your money work for you, *Get Good with Money: Ten Simple Steps to Becoming Financially Whole* by **Tiffany Aliche** will offer you a tremendous amount to think about and apply in your daily life.

Tiffany Aliche, an acclaimed financial educator, founded The Budgetnista, a company that has initiated a financial movement, empowering and educating over one million women globally to eliminate debt and save money. Before embarking on this journey, Tiffany spent ten years as a preschool teacher. She later co-founded an online school dedicated to teaching personal financial literacy. Her blog (thebudgetnista.com) and podcast (brownambitionpodcast.com) have received numerous accolades and have been featured in prestigious publications such as The Wall Street Journal, The New York Times, Fast Company, Forbes, and U.S. News & World Report. Tiffany holds degrees from Seton Hall University and Montclair State University.

In *Get Good with Money,* the main idea presented by Aliche is beautiful in its simplicity – financial literacy is essential but often overlooked in formal education. Achieving financial competence, or becoming "financially whole," provides numerous opportunities and options that are unavailable when one's finances are disorganised. The path to financial competence does not rely on get-rich-quick schemes or overly complex money management systems. Instead, it involves mastering ten fundamental principles, enumerated by Aliche in a thought-provoking yet actionable manner.

In Aliche's own words, "Being financially whole means that ten fundamental areas of your financial life are in working order and you have a realistic picture of where you are on the path to reaching your wildest dreams. You can achieve this state regardless of your current income, savings, debt, or credit score!"

Key Takeaways

- Take control of your finances by creating and automating a budget for a prosperous future
- Save money as a cushion for unpredictability and to fuel your financial growth
- Develop a plan to reduce and eliminate debt, freeing more money to grow your wealth
- Grow your credit score to open doors to opportunities like home ownership and better jobs
- Intentionally increase your income to enhance your financial stability and future prospects
- Invest consistently for retirement to ensure you can maintain your lifestyle after you stop working
- Manage life's unpredictable aspects by securing necessary insurance to mitigate risks effectively
- Regularly track and make decisions to grow your net worth by increasing assets and reducing liabilities
- Assemble a team of financial advisors to help achieve your financial goals and navigate complex decisions
- Plan your estate wisely to ensure your wealth is preserved and utilized according to your wishes

As Aliche states, being financially whole does not mean getting rich in a speedy manner or being able to retire, with a yacht, off the coast of Monaco. Rather, when you are financially whole, you become able to live your life the way it is meant to be lived – without constantly worrying about your finances and meeting your needs. And this is exactly what she teaches through her ten concise yet clear steps.

Establish a solid budget

Creating a robust budget is your first key financial milestone. Budgets are essential for everyone, from small shops to large corporations, so why should individuals not use them too? A well-crafted budget helps you avoid overspending on impulse buys and is a crucial step toward financial success. Think of your budget not as a restriction but as a tool for future rewards. By setting a budget and saving some extra cash, you are essentially paying yourself for future pleasures, like a vacation or a special purchase you have always wanted. Start by listing all your income sources and expenses. Just like in accounting, aim to be as precise as possible with your "money in" and "money out" sections. Determine a percentage of your income to set aside each month. Using labels can simplify the process. For instance, tag bills as B, utility bills as UB, and discretionary costs like groceries as C. If bills and utilities are your largest expenses, you might need to increase your income. However, if discretionary costs dominate, it indicates overspending. It is advisable to set up two checking accounts—one for cash expenses and one for bills—and two savings accounts—one for emergencies and one for long-term goals. Automating your payments for these accounts can help you avoid temptation and minimise errors, ensuring that your budgeting efforts remain effective and bear the fruit you wish to savour.

Always work towards eliminating debt

Debt can feel like a heavy anchor, dragging down your financial progress. Mortgages, student loans, car loans, and other liabilities can obstruct your path to financial freedom. Fortunately, escaping this cycle starts with a shift in your mindset about debt and implementing effective strategies to manage and eliminate it – to start, create a comprehensive and accurate list of all your debts. This list should include every debt you owe, along with the corresponding interest rates and minimum monthly payments. By having a clear picture of your total debt, you can develop a focused plan to tackle it. There are two popular methods for debt repayment: the snowball method and the avalanche method. The snowball method involves paying off your smallest debts first, gradually moving to larger ones. This approach provides quick wins and can build momentum as you eliminate smaller debts, giving you a psychological boost. On the other hand, the avalanche method focuses on paying off debts with the highest interest rates first – a tactic which can save you more money on interest payments in the long run. Both methods are effective, so choose the one that aligns best with your financial situation and personality.

Enhance your credit score

Once you have chosen your debt repayment strategy, it is time to focus on improving your credit score. Good credit is a powerful financial tool that can open doors to better interest rates, lower insurance premiums, and more favourable loan terms. Essentially, it can save you a significant amount of money over your lifetime. To improve your credit score, start by ensuring that all your bills are paid on time. Payment history is a major factor in credit scoring, so consistent, on-time payments can significantly boost your score. Set up automatic payments or reminders to help you stay on track. Another critical factor in credit scoring is credit utilisation, which is the ratio of your credit card balances to your credit limits. Aim to keep your credit utilisation below 30% to show lenders that you can manage credit responsibly without relying too heavily on it. This means if you have a credit limit of INR 100,000, try to keep your outstanding balance below INR 30,000 at any time. Additionally, avoid closing old credit accounts, as the length of your credit history also impacts your credit score. Older accounts can positively influence your score, even if you do not use them regularly. However, be mindful of keeping accounts with annual fees open if you do not use them – it may be better to close those to avoid unnecessary costs. Regularly check your credit reports for errors or inaccuracies. You are entitled to a free credit report from each of the major credit bureaus once a year. Disputing any inaccuracies can help improve your credit score. Improving your credit score requires discipline, patience, and a strategic approach.

Investing to build wealth and a retirement corpus

Albert Einstein famously referred to compound interest as the eighth wonder of the world. Compound interest allows your money to earn more money through the reinvestment of earned interest, creating a cycle of exponential growth in your wealth over time. Harnessing the power of compound interest is a critical strategy for building wealth and ensuring a secure retirement. Begin your investment journey by opening a retirement fund and committing to investing at least 20% of your income each month. This disciplined approach lays the foundation for a comfortable retirement. A good rule of thumb for retirement savings is to multiply your annual expenses by 25 to estimate the total amount you will need once you stop working. This ensures you have enough savings to sustain your lifestyle throughout retirement. When it comes to withdrawing from your retirement fund, aim to withdraw no more than 4% per year. This strategy, known as the 4% rule, is designed to make your retirement savings last while providing you with a steady income. To simplify the process and stay disciplined, automate your monthly contributions to your retirement account.

Know your investment type

Identify what type of investor you are: active or passive. If you are willing to take on more risk and enjoy hands-on management, you might prefer actively picking individual stocks. This approach requires thorough research and a willingness to stay informed about market trends. On the other hand, if you prefer a more conservative approach, consider investing in Exchange-Traded Funds (ETFs). ETFs are a collection of securities that offer diversification and typically track an index, providing small but steady returns with less risk. Diversifying your investment portfolio is crucial. Balance your investments between stocks and bonds to mitigate risk while aiming for growth. Beyond retirement savings, consider investing any additional funds into wealth-building opportunities. Start small and gradually increase your investments as you become more comfortable and knowledgeable.

Get Good With Money is an indispensable guide for anyone looking to achieve financial wholeness. Aliche provides insightful advice on saving, investing, and increasing your income, making the book a valuable resource for readers ready to apply these principles. Her straightforward guidance can help anyone struggling with finances turn their situation around. If you aim to build a secure future, transform your spending habits, and prepare for retirement, Aliche's treatise is the perfect book for you.

One of the best ways of optimally harnessing the power of compounding and planning your financial portfolio is to invest in mutual funds via the Systematic Investment Plan (SIP) route. Mutual funds offer you an opportunity to invest in a wide variety of professionally managed funds that can give you the desired exposure. More importantly, you can invest in mutual funds via the SIP route that allows you to invest a fixed amount of money, on a periodic basis, in a mutual fund scheme of your choice. This brings a degree of discipline to your financial planning journey and enables you to optimally harness the power of compounding.