"However, I am confident in saying that if you can figure out a way to save 10% to 20% of your income into the financial markets each year, automate that savings and all of your bill payments, increase the amount you save each year by just a little, diversify your investments, and basically leave them alone, you will be better off financially than the vast majority of retirement savers in America. Everything else is gravy." – Ben Carlson

Introduction: You are on Your Own

- There are three big things you need to get right in order to give yourself a chance at financial independence one day:
    1. Save at least 10% of your income (preferably 15% to 20%)
    2. Make your saving and investing automatic
    3. Think and act for the long-term

Chapter 1. Why You Need to Save

- Time is the most valuable resource on the planet and the only asset where there is no inequality
- **Saving money provides a margin of safety when life inevitably gets in the way of your best-laid plans**

Chapter 2. The Power of Small Wins

Chapter 3. When Should You Start Saving

- Here is a little secret about the compound interest that you cannot see in a retirement calculator – **the majority of the growth comes once you build up a large enough balance as you get closer to retirement**
- Your money grows slowly until it builds upon itself and then explodes higher as compound interest takes off
- The amount you save in the first few decades of your career is far more important than your investment strategy
- When in reality the simple act of saving more money over the long run can have an enormous impact on the size of your wealth.
- For the majority of the population, saving is more important than investing.

Chapter 4. Why Invest in the First Place?

- If you hope to increase your standard of living, you will have to grow your money over and above the rate of inflation
- If you do not put your long-term savings into productive financial assets, your money is going to lose its value

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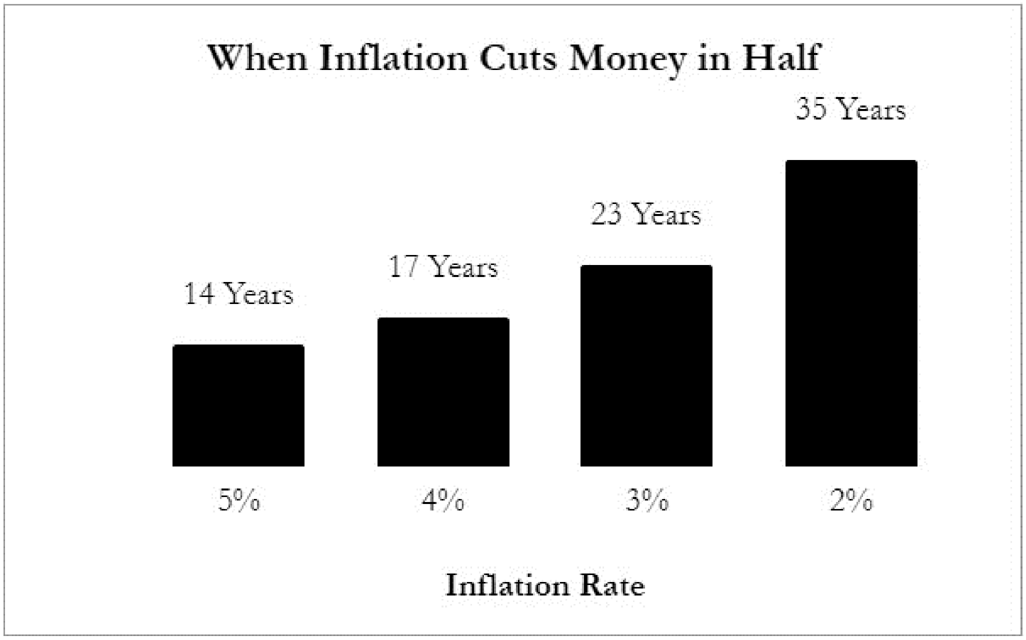

- The cost of stuff – houses, cars, food, clothing, etc. – generally goes up over time so you need to invest your money to protect your savings from the effects of inflation

Chapter 5. Your Biggest Asset

- The best thing you can do as a young person is to start saving and investing as soon as possible to take advantage of your long-time horizon
- In practice, if you lack substantial savings at 45, you are in serious trouble. Since a 25-year-old should be saving at least 10% of his or her salary, this means that a 45-year-old will need to save nearly half of his or her salary
- Starting at a young age not only helps you take advantage of compound interest; it can save you stress and financial strain later in life
- The best investment you will ever make is in yourself and your ability to earn more money over time. This will help you supercharge your savings.

Chapter 6. How Much Should You Save?

- Your savings rate should be in the double digits as a percentage of income
- You should treat savings like a bill and pay yourself first just like you pay Netflix to binge on shows

Chapter 7. What to Invest In

- You cannot earn high returns on your money over the long run without accepting losses or bone-crushing volatility at the time

- Risk never goes away completely; it just gets transferred somewhere else

Chapter 8. How the Stock Market Works

- The greatest part about owning shares in the stock market is you can earn money by doing nothing more than holding onto them
- The stock market is one of the few places on earth where you can earn passive income without having to do any work whatsoever
- The longer your time horizon, historically the better your odds are of seeing positive outcomes

S&P 500 Annual Returns: 1926-2020

	5 Years	10 Years	20 Years	30 Years
Best	36.1%	21.4%	18.3%	14.8%
Worst	-17.4%	-4.9%	1.9%	7.8%
Average	10.1%	10.4%	10.9%	11.2%

Source: Dimensional Fund Advisors

- The above chart is the beauty of compounding. The worst 30-year return for the S&P 500 gave you more than 8x of your initial investment
- Over the long haul, the stock market is unrivaled when it comes to growing money. And the longer you are in it the better your chances of compounding
- If there is an ironclad rule in the world of investing, it is that risk and reward are always and forever attached at the hip
- The stock market is fueled by differences in opinions, goals, time horizons, and personalities over the short term and fundamentals over the long-term

Chapter 9. The Investor's Life Cycle

- When you are young, human capital (or lifetime earning potential) is a far greater asset than your investment capital
- The good thing about being a young person is you do not need to worry about timing the market to succeed. You can wait out bad markets since you have such a long runway in front of you

Chapter 10. Picking Stocks is Harder Than You Think

- Here are a couple of things that are more important than being good at stock picking:
  1. Your savings rate – savings is the first step in investing
  2. Your asset allocation – the mix of bonds, stocks, cash, and other investments
  3. Your investment plans
- There are simply more opportunities to pick the losers than the winners in the stock market

- Companies can go to zero. Target date funds and index funds do not

Chapter 11. The One-Stop Shop Retirement Fund

- Take the easy route: pick a target date fund in your 401(k), IRA, or brokerage account
    - Target date funds are one of the best developments for individual investors in decades because they take many of the investment decisions out of your hands and automate the process for you.

Chapter 12. You Get What You Do Not Pay For

- Index funds are hard to beat because you get to keep more of the returns by paying lower fees than investor pay in actively managed funds
- When it comes to investing, being cheap is a virtue
- Your biggest enemies when it comes to investing are inflation, taxes, costs, and human nature

Chapter 13. Diversifying Across Time

- The beauty of being a long-term retirement saver is that your purchases are spread out over a wide range of market environments
- You build wealth slowly and surely over time
- The most important aspect of this strategy is that you simply keep buying no matter what
- The reason the simple approach beats God is that investing regularly over the long haul gives your savings more time to grow
- With dollar cost averaging you sometimes buy higher. You sometimes buy lower. And you sometimes buy when stocks are undervalued or overvalued. **The only thing that matters is you keep buying**

Chapter 14. You Will Lose Money

Chapter 15. When Information is Useless

- Knowledge alone is never enough to change behavior
- Statistics do not stick with us but stories do
- For your finances: spend less than you earn, live below your means, prioritize your spending, save, and invest early and often, and do not take on excessive levels of debt
- For your health: exercise regularly, do not overindulge, avoid too much sugar and carbs, eat less, and plan out your eating habits in advance

Chapter 16. Treat Your Savings Like a Netflix Subscription

- **For the rest of us, we are constantly trying to strike a balance between enjoying life now and ensuring we have the resources to enjoy life later**
- Yet understanding how and where you spend your money is perhaps one of the most important aspects of a successful financial savings plan
- **The trick is to treat your savings like a Netflix Subscription that gets paid every month on a set schedule**
- This is crucial because inertia is one of the biggest enemies of behavioral change

Chapter 17. The Hierarchy of Retirement Savings Accounts

Chapter 18. When Can I Retire?

- Your biggest risk is not market or economic volatility; it's running out of money before you die
- You figure out how much you spend and save. It is pointless to try to figure out how much you will need in savings or income if you do not have a good understanding of how much it costs for you to live
- Retiring with little in the way of debt increases your financial flexibility enormously. High fixed costs are your biggest enemy when seeking financial independence
- Plans are useless but planning is indispensable
- **The entire reason you are saving in the first place is to purchase your freedom. You are buying your own time**

Chapter 19. How To Become a 401(k) Millionaire

What if You Maxed Out Your 401(k)?

Starting Age	Required Returns For $1 Million at Age 65
30	2.20%
35	3.45%
40	5.40%
45	8.55%
50	14.50%

Assumes you invest $18,500/year until age 65

- The above chart points out how helpful it is to begin saving at a young age

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- Few individuals or households have the means to max out their retirement savings straight out of the gate

What If You Slowly Work up to Max Contributions?

Initial Monthly Savings	Initial Annual Savings	Required Returns
$250	$3,000	3.65%
$350	$4,200	3.40%
$450	$5,400	3.20%
$550	$6,600	3.00%
$650	$7,800	2.85%

Assumes you add $1,200/year ($100/month) to savings each year until you hit the max

- **Saving, investing, and getting your finances in order are always more of an exercise in psychology than math**
- Turning a little money into a lot of money is about patience but patience is useless without a side of discipline and consistency

Chapter 20. What If You Get a Late Start Saving for Retirement

- Beginning the process of saving for retirement in your 40s or 50s is not ideal but it is not a lost cause either
- Saving money is still far more important than how you invest
- Increasing your savings rate is far easier than increasing the investment returns
- Your savings rate is something you can control while no one controls the returns thrown off by the financial markets

Chapter 21. What About Social Security?

- The average earner can expect the program to replace roughly 30% to 40% of their income
- I feel fairly safe telling people they can plan on receiving something from Social Security in retirement as long as they continue paying payroll taxes

Chapter 22. The ABCs of 403(B)s For Teachers

- These are terrible plans and many teachers are taken advantage of
- Aon Hewitt estimates 76% of 403(b) plan assets for teachers reside in fixed or variable annuities with the remaining 24% in mutual funds … this is not normal

- Do not assume your pension will completely cover you
- Many teachers leave the profession before they are fully vested
- There are also 15 states where teachers are not covered by Social Security
    1. Alaska
    2. California
    3. Colorado
    4. Connecticut
    5. Georgia
    6. Illinois
    7. Kentucky
    8. Louisiana
    9. Maine
    10. Massachusetts
    11. Missouri
    12. Nevada
    13. Ohio
    14. Rhode Island
    15. Texas
- You must save and invest outside of the 403(b) plan. If they offer a match you take it. Open up an IRA or taxable account

Chapter 23. The 20 Rules of Personal Finance

1. Avoid credit card debt like the plague
2. Building credit is important
3. Income is not the same as savings
4. Savings is more important than investing
5. Live below your means, not within your means
6. If you want to understand your priorities look at where you spend money each month
7. Automate everything
8. Get the big purchases right
9. Build up your liquid savings account
10. Cover your insurable needs
11. Always get the match
12. Save a little more each year
13. Choose your friends, neighborhood, and spouse wisely
14. Talk about money more often
15. Material purchases will not make you happier in the long-run
16. Read a book or 10
17. Know where you stand
18. Taxes matter
19. Make more money

20. Do not think about retirement, but financial independence

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