Financial Empowerment

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Empowerment Journey: A Path to Freedom

By Matt Gagnon, CFA
Investment Advisor & Portfolio Manager



Money

What thoughts and feelings do you have when you see that word?
Money can be a source of anxiety for many. We struggle to have enough to provide for both our needs and wants. For others money is an afterthought or rarely thought of at all.

Shouldn't Money be Simple?

I know what financial anxiety feels like. It isn't fun to go through life with money concerns.

You may have heard of "FIRE" – Financially Independent/Retire Early. A solid concept but early retirement is not a universal goal. Instead, I prefer to talk about "FE" - Financial Empowerment.

FE is a way you can show up in the world. Those with FE are not troubled by negative emotions when thinking about or discussing money.

FE is peace of mind knowing you have a strategy to deal with money.

FE doesn't come by ignoring problems or positive thinking. It is earned through understanding a few basic personal finance concepts and implementing them IN A SPECIFIC ORDER.

FE involves taking control of your financial future, making smart choices and building habits that support long-term wealth. This journey involves understanding how money works, developing basic "financial hygiene", and making intentional choices that align with your personal goals.

The Empowerment Journey described here is a path to financial freedom. It's a map you can use to get where you want to go.

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Why Listen to Me?

My name is Matthew Gagnon, investment advisor and founder of Financial Empowerment LLC. I'm passionate about simplifying complex topics and helping people achieve financial freedom.
With a background spanning 15+ years in the financial industry, I've invested billions of dollars on behalf of other financial advisors and their clients.

I've seen many people gain FE and the powerful effect it had on them and their families. I'm on a mission to attain FE for myself and spread it to others as well.

I started blogging during the COVID-19 pandemic to distill my career experience, as well as my own struggles with money, into accessible advice on personal finance. I want to share what I know and improve people's lives. A career change in 2023 led me to combine my blogging and work experience into my own advisory firm, Financial Empowerment.

I'm excited to impact people's lives as did the hundreds of caring professionals with whom I've worked over the years. Starting with you.

Ready to take the first step?

Step 1 – Mindset



Some think wealth is only gained by luck - winning the lottery perhaps – or being unethical. Some misquote the Bible calling money the "root of evil". Here's the whole Bible verse to set the record straight:

"For the love of money is the root of all kinds of evil. And some people, craving money, have wandered from the true faith and pierced themselves with many sorrows."

1 Timothy 6:10 (New Living Translation)

It's not difficult to see, the verse refers to greed, not money, as the root of evil.

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Money in itself isn't good or evil. It's merely a tool that society uses to recognize when value is created. It sits in our pocket or bank account and allows us to buy things.

Making Money Isn't Fair

It's understandable to be concerned with the problems of the world. We see injustice on daily basis through our TV and phone screens. Capitalism, AKA "the system" that the entire (free) world lives under, is not perfect. Billionaires launch rockets into space for fun while children starve. That certainly isn't "fair".

When you were young, your parents may have told you (mine frequently did) that "life isn't fair". As an adult I've come to agree with that sentiment. What aspect of our modern lives is "fair"?

Work isn't fair. I've seen people who didn't work as hard but were better connected get the promotion. But if we don't work, we don't eat. It isn't fair, but we do it anyway.

Love isn't fair. I've cared deeply for someone and had them walk away. Nonetheless as humans we're built to seek connection with others, even if it didn't work out last time. We feel incomplete without that connection.

"Fairness" is a philosophical ideal for which we can strive. But we can't wait for the world to become "fair" (it won't) before creating the life we want.

The Case for Capitalism

If you read economic history it becomes clear that good business is about solving problems, not creating them. Dire headlines sell news subscriptions and grab eyeballs, while capitalism has quietly raised millions out of poverty in the modern age.

Don't take my word for it. Whole Foods founder John Mackey created a thriving business that has dominated the grocery industry for decades while also prioritizing human health, the environment, and animal welfare. In a December 2024 interview Mackey described himself as a "totally enthusiastic capitalist". Mackey champions capitalism, arguing that it has lifted people out of poverty, extended lifespans, and improved literacy rates.

Think about your grandparents' daily lives. And their grandparents. In the late 1800s most people:

- lived on farms
- used outdoor toilets
- made their own clothes
- had little to no time for leisure
- the day ended when the sun went down
- traveled less than 20 miles during their lives
- spent most of their income and time buying or producing food

Would you trade places with them?

Today we

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- lived in cities
- food is widely available
- clothes are inexpensive and widely available
- interconnected sewage network handles our waste
- commute for work and travel across the globe for the price of a plane ticket
- many of us spend hours every day reading, watching TV or other leisure activities
- energy and electricity networks enable us to begin and end our days whenever we please

What changed in the last 150 years? Robert Gordon's *Rise and Fall of American Growth* describes a series of inventions that dramatically improved our quality of life. New energy sources, networking of homes (electricity, plumbing, telephone lines, etc.). The automobile, radio, television, the internet, artificial intelligence …. The list goes on.

Each of these inventions was pursued fervently by people looking to solve problems, and profit by doing so. And profit they did – John Rockefeller, Andrew Carnegie, JP Morgan, and others made vast fortunes in the businesses they ran. And those businesses improved peoples' lives, providing new or better products (oil instead of coal; steel instead of iron; a stabilized financial system). Without the profit motivation, would we have gotten those same inventions as quickly as we did?

The USSR from the 1950s through its dissolution in 1989 was communist; the government ran the economy. Starting your own business was not allowed.

If you lived through any of that period or read about it, you know the Soviets lagged the United States in technological progress. Their people lived mostly in poverty. The results have been similar other places where socialism – a completely "fair" system - has been attempted.

- People suffer
- Poverty is the norm
- Freedom disappears
- Leaders become dictators and crack down on the opposition (imprisonment, banishment, assassination, etc.)



A memorable quote from John Macke, "Capitalism is always compared against its failures and socialism is always compared to its ideals. And that's not a fair comparison." (1:31:13)

Figure 1 - John Mackey and a coworker at a Whole Foods in the 1980s.

Source: https://www.businessinsider.com/amazon-whole-foods-market-history-2022-8

Win-Win-Win Philosophy

In the mid-2010s, facing competition and investor pressure, Mackey sought a partner who aligned with Whole Foods' long-term vision. Jeff Bezos saw potential and Whole Foods merged with Amazon in 2017. The merger wasn't perfect but:

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- Macke won by gaining a powerful backer for his business
- Employees won by getting higher salaries and job security
- Suppliers won by finding larger markets for their products (Amazon)
- Investors won as Whole Foods avoided hostile takeover or bankruptcy
- Amazon won by gaining entry to a market (grocery) they had been trying to break into

Supposedly "fair" systems like communism require that everyone gets the same amount. If one person gets more, then everyone else is left with less. It's a zero-sum game.

Capitalism isn't fair, but it makes situations like Amazon/ Whole Foods possible. Multiple parties can benefit from one person's (John Macke's) success. It's a positive-sum game. Win-win-win.

Apple and Microsoft are two of the largest companies on the planet, their value each measured in the trillions. What did they do to grow to such stature?

Microsoft created software like Windows and Office, which helped people use the personal computer for tons of practical things, and unlocked efficiencies not dreamed of before. Growing up in the 1980s I remember computers being mostly used for games and word processing.

Apple revolutionized how we listened to and purchased music with the iPod, and then revolutionized mobile communication with the iPhone.

Think about how much value these inventions have created for people worldwide. Variety for music lovers, wealth for investors, efficiency for businesses, connectivity for everyone. Imagine our world without PCs or smartphones (yikes).

You Can Do It Too

Anyone can build wealth by identifying problems and finding solutions. When you approach wealth as a reflection of the value you create, you start seeing money as a tool for empowerment rather than something to fear or avoid.

Recognize where your talents fit into solving real-world problems. THESE ARE YOUR OPPORTUNITIES TO MAKE MONEY AND LIVE BETTER.

Businesses, like individuals, are imperfect. Mistakes happen, but companies that encourage teamwork and problem-solving grow stronger over time, creating wealth for themselves, shareholders, and employees, and benefiting customers with innovative products and services.

Capitalism, like life, isn't fair. But we should embrace it as the system that offers humanity the best quality of life.

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> *'The inherent vice of capitalism is the unequal sharing of blessings. The inherent virtue of Socialism is the equal sharing of miseries.'*
>
> *Winston Churchill, House of Commons, 22 October 1945*

Why Does This Matter?

If you believe that making money is wrong, you won't give it your all. You'll hold back.

This will make it hard to live the life you've dreamed of. Because that is going to take work.

Shift Your Mindset

Remember:

- Money isn't good or evil. It's a tool to build a fulfilling life.
- Good business is about solving problems and adding value, not exploiting others.
- Negative beliefs about capitalism limit potential; wealth can align with doing good.

View money and business as tools for good. Don't feel bad about making money. Doing so is a worthy endeavor.

Step 2 – Personal Development and Career

Ok, business is about solving problems. The bigger the problem, the more valuable the solution. If we want to make money we need to discover what PARTICULAR problem(s) we are most motivated, skilled, or likely to help solve.

The next step in FE is discovering your natural personality and strengths and using them to build a fulfilling career. Self-assessment tools and resources to help here include:

- Myers-Briggs personality test (free version here).
- Clifton Strengths can reveal your natural talents to emphasize (costs around $50).
- *What Color is Your Parachute*, the classic reference for career changers updated annually with tons of exercises designed to help you find the perfect career.

The diagram below shows visually how to approach this. The resources just mentioned, combined with the education you've received and your life experiences, result in a unique combination that makes you suited for certain careers more than others.

And a career, not a job, is how you make enough money to support the life you want.

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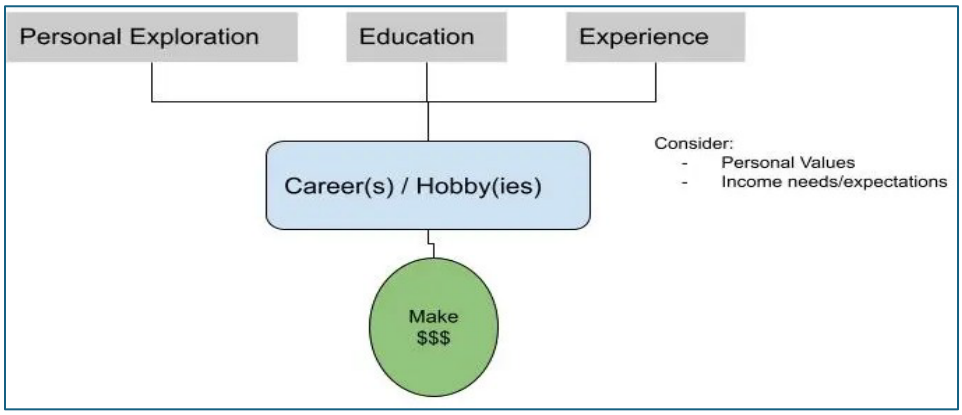

Figure 2 - Finding a Career

Perfect is the Enemy of Good

Once you understand your strengths and personal interests, you can target jobs or fields that allow you to use them to solve valuable problems. Choose carefully but don't agonize over the decision.

Waiting for the "perfect" job can be paralyzing. Instead, try different fields until you find one you enjoy. Early jobs — even if they aren't in your ideal field — offer opportunities to develop crucial skills like adaptability, teamwork, and resilience. Lessons learned from these roles will serve you well in more advanced positions down the road.

Lean More, Earn More

Continuous learning helps you make more money. Consider these findings:

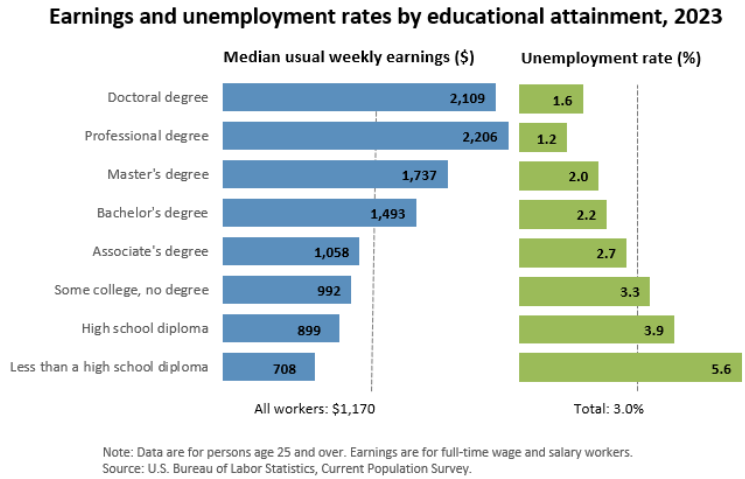

Figure 3 - "Education Pays", US Bureau of Labor Statistics

- The above chart from the BLS shows more educated people earned more money and faced lower unemployment rates.
- The Federal Reserve Bank of New York found that recent college graduates earn an average of $22,000 more per year than those with only a high school diploma.
- Social Security Administration data showed men with a bachelor's degree earn $900,000 more over their lifetime than high school graduates, while women earn $630,000 more.

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Courses, certifications, and mastering skills relevant to your field increases your earning potential, giving you greater control over your financial future.

Be Open Minded, Opportunity is Everywhere

Opportunities often come from unexpected places. After finishing my finance degree, I struggled to find a job during the 2008 recession and ended up working in my family's rental business. A chance connection through a friend led to a meeting with a financial advisor, the field I wanted to break into.

Despite being overwhelmingly nervous, went to his office. He didn't have a job for me, but introduced me to his partner, who did. That single meeting turned into an internship, which eventually became a full-time role.

I would not be writing these words today had I not took the risk to meet David.

Say YES to opportunities, even when they feel uncomfortable or uncertain. Most career paths aren't straight lines—success often comes after countless rejections. Talk about your goals, make connections, and take the meetings, even when they seem like long shots. The more you put yourself out there, the better prepared you'll be when the right opportunity finally arrives.

Remember:

- **Self-awareness**: Reflect on what excites and energizes you to guide your career decisions. Use the resources above. Write down what you discover to help guide career decisions.
- **Invest in education**: Keep upgrading your knowledge to open new opportunities. Go to college. Take courses. Attend workshops. Read books.
- **Good is better than perfect**: To gain experience, apply for positions that may not be ideal and be willing to work in different fields.
- **Adaptability**: Learn from each step, be flexible, and don't fear mistakes.

The work you dedicate yourself to is the vehicle to financial freedom. Start small, keep learning, become an expert, and over time, your value and opportunities will grow exponentially.

Step 3 - The Crossroads: Living Below Your Means

A crucial aspect of financial empowerment is spending less than you make (or making more than you spend). People who build wealth do this; those who struggle with money do not.

The concept is highlighted in the 1996 book "The Millionaire Next Door", written by two researchers who interviewed thousands of wealthy people to determine how they got that way. They found seven common factors among them, the top one being, "[wealthy people] live well below their means".

Most personal finance tips can be distilled down to this fundamental concept. Here's a picture to help visualize the concept:

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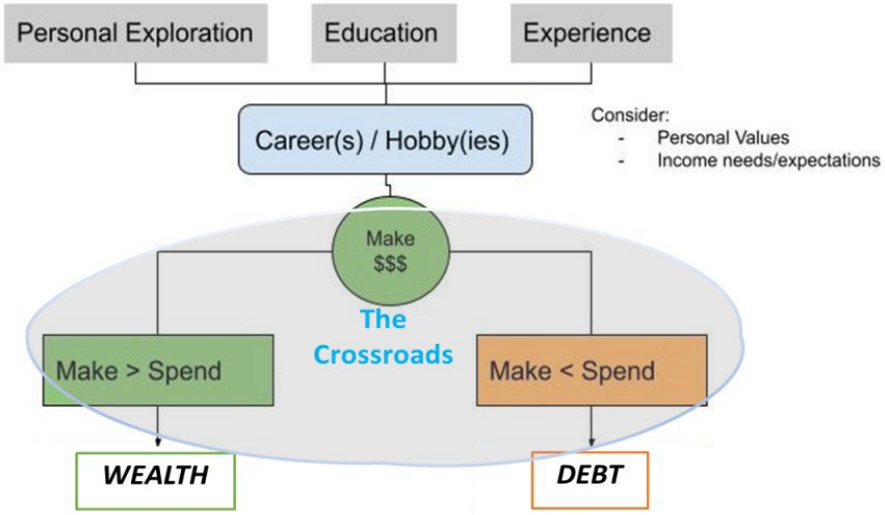

Living below your means requires self-control, especially in a world filled with social pressure to "keep up" with the lifestyles of friends, family, and influencers. Emotional spending — buying things to feel better or to fit in — is a common trap. Recognizing these behaviors and focusing on long-term goals can help you avoid unnecessary purchases. The key is to prioritize your future self over short-term satisfaction.

Warren Buffett said "investing is simple, but not easy" – a concept that applies to many aspects of life, including managing our money. Just like we know we should eat healthy but grab that convenient $1 donut instead, we understand we should avoid overspending but often do it anyway.

We're constantly battling between our minds ("I should save for the unexpected") and our emotions ("Why does he have a nicer car than me?"). Unless we actively work on this, emotion wins every time.

The stakes are high: your money represents value you've created for society through your work. While employment income requires constant effort, investments allow your money to work for you, potentially lasting generations. But to invest, you need to have money left at the end of the month.

Some emotional spending traps that derail us include:

Anxious spending

We're social creatures. We want to fit in and meet others' criteria of success. "If I don't have [car, gadget, ___] they'll think I'm [unsuccessful, ___]". Unfortunately, we can't control how people think or feel about us regardless of whether our car costs $10,000 or $100,000. Spending to impress others is like handing them the keys to your financial independence.

Fear of missing out (FOMO)

Makes us rush into purchases. "This deal is too good, I may not get another chance". In my 40+ years of buying stuff, 99% of the time when I didn't buy something, I didn't regret it.

Remember: if you don't spend the money, you still have the option to spend it later. Once it's gone,

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it's gone. Add it to your cart, then turn off the computer. Come back to it tomorrow or later in the week. If you still want it, that could be a sign that it's a good purchase.

Entitled spending

"I deserve this" is a dangerous thought to have. Many have gone broke shortly after uttering those words.

Entitled spending wrecked my finances.

We're all good people at heart (most of us anyway!) We deserve to have nice things and enjoy life. Why else are we all working so hard – to be miserable? That's what makes entitlement spending so sinister; it's a completely valid, and STRONG feeling we all have.

Salespeople absolutely know this and exploit it.

Years ago I got a better-paying job. A month or two later, the front door of my house started to stick, which happened occasionally (the soil in the Dallas area are known to shift). Instead of fixing the door, I decided that my family "deserved" a new, larger house, in a better neighborhood. It's something my fiancé and I had discussed; the home we lived in was a small home I'd bought when I was single that now held her, me, our baby daughter and a dog. But the mortgage was very affordable, and our budget had room in it. But knowing we had more money coming in bred entitlement within me.

Didn't we "deserve" to have more space? Hadn't I "arrived" with this new big paycheck?

We bought a house at the upper range of what we qualified for, with 1000 more square feet that our prior home. It was a nice house, but after paying the mortgage and our monthly bills there was no room in our budget. Our debts started to grow, which strained on our relationship.

I didn't feel successful coming home to my big house, I felt like a fool.

The key lesson: spending money shouldn't make you feel bad. If you experience anxiety, pressure, or hesitation in your gut when considering a purchase – walk away. Let it marinate. Nothing, not even a nice car or house, is as valuable as having no regrets.

Timing is crucial. As Paula Pant says, "you can afford anything, but not everything." We must learn to say 'no' to many things so we can say 'yes' to financial freedom. While society urges us down the easy road of immediate gratification funded by debt, true empowerment comes from taking the road less traveled – the path of disciplined saving and thoughtful spending.

Remember: Money = options, and options = freedom. The choice is yours.

As you come to this crossroads, consider the famous words of poet Robert Frost:

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Society urges us to take the easy road. Eat the doughnut, use the credit card. Immediate gratification funded by debt is easier than developing the discipline to save money. But it doesn't lead to freedom.

Come, let's take the other road.

Main points:

- **Financial choices**: Deciding whether to live within your means or risk falling into debt.
- **Wealth-building**: Financial growth comes from saving, investing, and building assets, not just earning a paycheck.
- **Emotional spending**: Emotional triggers and a sense of entitlement lead to unnecessary spending.

Recommended action items:

1. Track your spending to ensure you're living below your means.
2. Build an emergency fund and invest for the future.
3. Resist emotional purchases and reassess large buys to fit financial goals.

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Step 4 - Savings: The Moat Around Your Castle



I used to think having credit cards with high limits meant financial security – but that's wrong.

Even if you pay them off monthly, the temptation to spend is always there. Due to extremely high interest rates, one mistake can have dire financial consequences. Einstein reportedly said, "compound interest is the eighth wonder of the world. He who understands it, earns it... he who doesn't... pays it."

We want compound interest working FOR us, not against us. This requires protection from unforeseen expenses like car repairs, medical care, or helping family. Rather than reaching for credit cards, having emergency cash savings will protect you from high-interest debt and keep you on the path to financial empowerment.

Imagine a medieval castle. That’s your finances. Savings are your castle's moat, keeping the invaders at bay.

You can have the biggest, coolest castle, but without protection from invaders, you won't sleep soundly. Similarly, big financial goals are unlikely to be achieved if unexpected bills can plunge you into debt.

For years I thought about saving money completely wrong. Saving money is often presented with an "eat your veggies" vibe. But when I started to save and experienced how every dollar in the bank LOWERED my anxiety about money, I understood how powerful it is. Having a financial backstop to afford the unexpected brings peace of mind. It feels better and costs less than using credit cards.

Here’s the sequence and an updated graphic:

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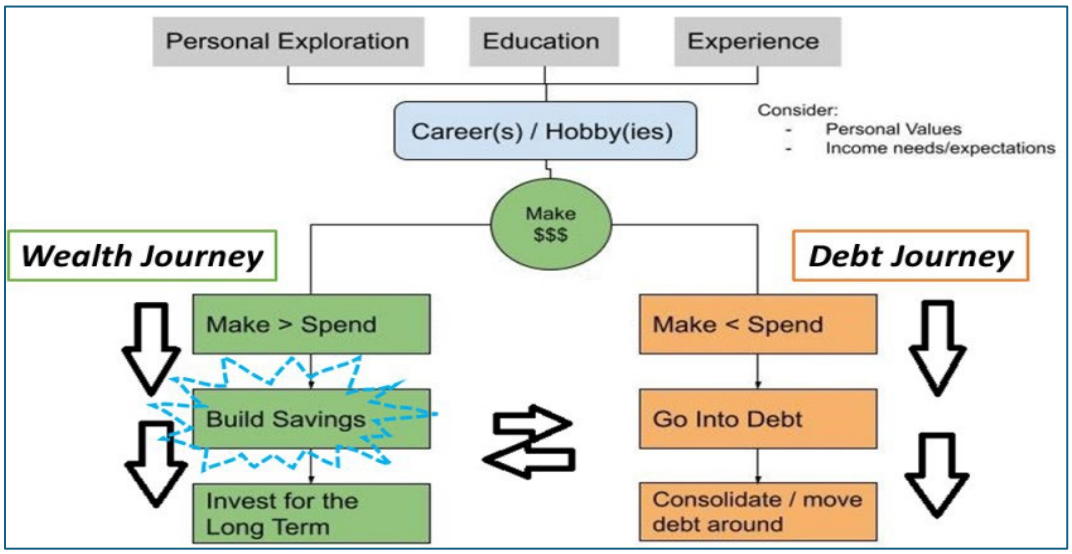

- Develop the habit of spending less than you make.
- SAVE the difference until you have 3-6 months of living expenses.
- Start investing.

If you're new to saving, Dave Ramsey recommends starting with a $1,000 emergency fund (I highly recommend Financial Peace University). Keep this fund separate from your everyday accounts, perhaps in a money market or high-yield savings account. Online banks often offer better rates than physical branches due to lower overhead costs. Compare rates on sites like Bankrate and NerdWallet, but don't obsess over finding the absolute highest rate.

Your emergency fund should be in cash or money-market funds, NOT subject to market risk. It needs to be readily available without having to sell investments. The priority is accessibility, not maximizing growth – that's what your investment portfolio is for.

Spending money thoughtfully when you have savings feels completely different than spending on credit. You're not risking your future financial security for the present moment. The anxiety disappears. This is how I want to live, and I want you to gain this confidence over your financial life too.

Key points:

- **Emergency savings** act as a safety net, preventing debt from unforeseen expenses.
- **Peace of mind**: Savings reduce financial stress and increase security.
- Recommended action items:
    1. Start with a $1,000 emergency fund.
    2. Use a separate, high-yield savings account.
    3. Gradually build savings to cover 3-6 months of expenses.

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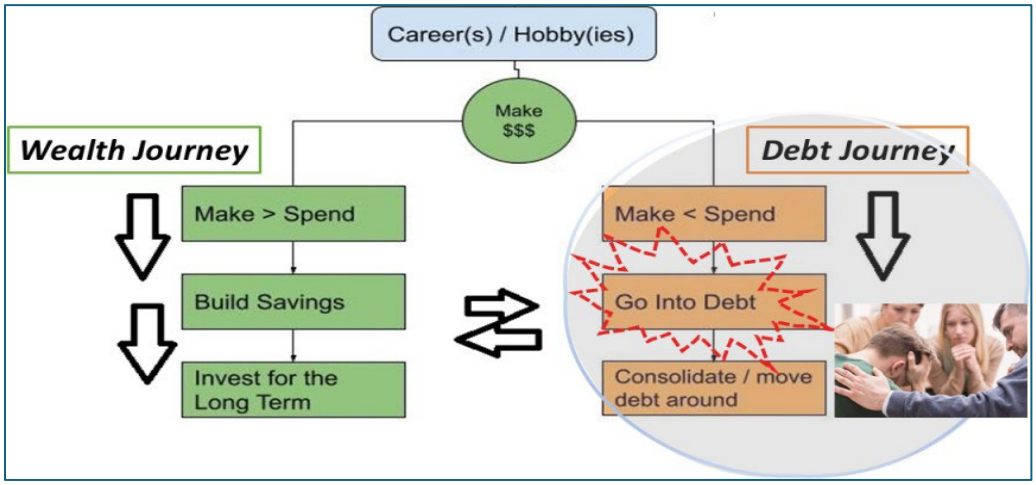
Step 5 - The Intervention: Debt



Whether we can live on less than we make determines our financial future. Debt is one of the biggest barriers to financial freedom. Relying on credit cards or loans to make up for overspending can trap people in a cycle of interest payments that drain their resources.

In today's society, debt is dressed up ("buy now, pay later"), hidden, and so normalized we may not see its dangers. Credit seems appealing - "look how much more I can afford!" But make no mistake: those offering credit aim to profit off of you.

While some debt may be unavoidable (like mortgages), it's dangerous for several reasons:

- It encourages buying more expensive things than we would with cash
- hinders our ability to save by forcing us to pay interest
- prevents building wealth
- creates a feeling of obligation that can harm our self-confidence and relationships.

Debt is speed bumps on the road to financial freedom.

Even if you're disciplined about credit cards, an unexpected expense or impulse purchase can lead to carrying a balance. Once that happens, the extra cash you SHOULD be putting into savings (and then investments) goes to MasterCard instead.

How to Buy a Car

For big-ticket items like cars and homes that will be financed (purchased with debt), there are five criteria that must be evaluated.

- down payment
- monthly payment
- interest rate
- loan term (# of months)
- total price

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Five things are a lot to keep in your head at once. We tend to focus on just one or two, like monthly payments. A pen and paper are needed – you must take notes.

Plus, these purchases involve a lot of money, so they can be nerve-racking. Emotions run high. Salespeople know this, and by applying some extra pressure, they can confuse us. That's how they slip in extras like expensive warranties - "only $34 more per month" sounds reasonable until you realize it's $4,000 over the loan term.

When buying a car at a dealership,

- Bring pen and paper with you
- Write down each of the items above – total price, down payment, interest rate, monthly payment, and term – for the car you want to buy.
- Show the paper to the salesperson and verify you have it right.
- If they try to change something, ask how it affects the other four items on your paper. Correct your numbers, and show it to them again.
- Repeat this until you have a deal you feel good about, and CAN AFFORD.
- If you feel confused, tired, or frustrated, WALK AWAY.

Debt is the opposite of investing

In his 2008 book *More Than You Know*, veteran investor Michael Mauboussin proposes a quiz to see how well we can visualize compound interest. Give it a shot:

How much does one dollar today turn into after 20 years if it grows at 2%, 7%, 15%, or 20%? Write down your guesses and then look at the answers below (no peeking!)

Growth rate	Ending Value after 20 Years
2%	$1.49
7%	$3.87
15%	$16.37
20%	$38.34

Our brains are built for linear math. 15% is about twice as large as 7%, yet our investment is 4X larger after 20 years if it grows at 15% vs. 7%.

Warren Buffett has been investing most of his life, yet he accumulated most of his wealth in his older years. The reason? Compounding. This article[1] explains, “Effectively all of Buffett’s financial success can be tied to the financial base he built in his pubescent years and the longevity he maintained in his geriatric years.”

Buffet started early, and socked away money religiously for a long time, giving compound interest time to do its thing. From Buffett’s 2008 biography *The Snowball*, “‘Spend less than you make’ could, in fact, have been the Buffett family motto, if accompanied by its corollary, ‘Don’t go into debt.’”

[1] https://www.cnbc.com/2020/09/08/billionaire-warren-buffett-most-overlooked-fact-about-how-he-got-so-rich.html

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When investing, compounding works for you - money makes money on itself. With debt, this wonder works against you.

Headlines fixate on government debt, but private debt is more concerning. Plus it's the thing we can actually control.

The government can raise taxes to pay its debts; you and I cannot.

History offers a compelling lesson about the relationship between debt and economic stability. After the Great Depression, Americans developed a strong aversion to debt that lasted nearly three decades. This period of low private debt, stretching from the 1940s through the 1970s, coincided with remarkably smooth economic growth and few financial crises.

High private debt levels create economic problems. When households and businesses must divert income to interest payments, they have less money for everything else - hiring workers, making investments, etc. High debt levels impede economic growth.

Debt addiction isn't just a personal finance issue - it's a drag on the entire economy. When we substitute debt for income, we're not just compromising our own financial futures; we're contributing to a system that produces more financial crises. The solution begins at home: by reducing our reliance on debt, we can help build a more stable and prosperous economy for everyone.

How to Get Off the Debt Treadmill

Stop making other people rich. Learn to live on less than you make, use the excess to build savings, and be your own bank. Focus on spending less than you earn and building an emergency fund to cover unexpected expenses.

If you're already in debt, the steps to get out are basically the Dave Ramsey "baby steps"[2] :

1. Build a $1,000 emergency fund so you can afford unforeseen expenses.
2. Stop adding additional debt. Destroy your credit cards, remove from digital wallets, put them in Tupperware filled with water and freeze, etc.
3. Pay off your debt over time using the "debt snowball".
    a. List every debt you have and the dollar amount of each.
    b. Pay off the smallest debt first. Then use the payment from the smaller debt to chip away at the second-smallest. Work your way up the list.

Example: let's say you owe $30,000 on a car loan, $15,000 on a student loan, and $6,000 on a credit card. You would pay the MINIMUM MONTHLY PAYMENT on the car and student loans, putting as much as you can toward the credit card bill until it was fully paid.

Say the minimum payments on the car and student loans are $500 and $250 respectively, and $333 on the credit card; that's $1,083 total minimum payments per month.

Let's say you've got $1,200 total per month you can use to pay these debts. You would pay $750

[2] https://www.ramseysolutions.com/dave-ramsey-7-baby-steps

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toward the car & student loans (minimums only), and $450 to the card each month until the credit card is fully paid (zero balance).

At that point, say you have $28,000 left on the car loan and $13,500 on the student loan (credit card is paid off). You would continue paying the minimum on the car loan ($500) and pay $700 to the student loan ($250 minimum payment + $450 that was going to the credit card before, which is now paid off).

You're still using the same amount of money to attack the debts ($1,200 in this example), but with each smaller debt that falls off, more of those payments are available to throw at the larger debts.

This method also helps you get some wins under your belt and watch your debt go down quickly.

Remember:

- **Debt limits financial freedom**: It prevents saving and hinders wealth-building.
- **Large Purchases**: Consider all aspects of financing (price, down payment, interest rates, loan term) when making large purchases.
- **Debt vs. investment**: Debt takes away from potential investment opportunities.

Specific action items:

1. Save for large purchases instead of relying on credit.
2. Compare total costs when financing a car (interest, monthly payments).
3. Prioritize building savings and investing over debt for non-essential purchases.

Step 6 – Wealth or Debt? Pick Your Journey

Ok let's summarize what we've reviewed up to now:

- We need to maximize our income by using our skills to add value to people's lives.
- Everything starts with being able to live on less money than we bring in each month.
- Saving money offers security that using debt never can.

Here's our empowerment journey thus far:

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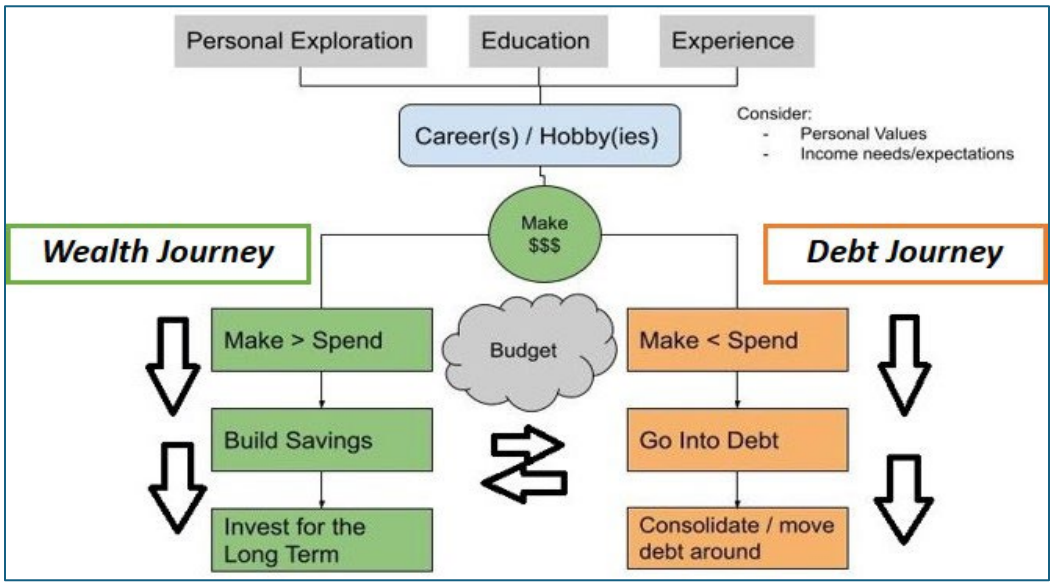

How do we put it all together? This is where the rubber meets the road - intelligently managing expenses so we can be sure we will spend less than we make.

Two Journeys

Elon Musk and the person taking your order at Wendy's may not have much in common. But I guarnatee they are each on one of two financial journeys: building wealth or building debt. Those are the only two outcomes in finance.

1. Spend less than you make. You accumulate excess money, which can be enjoyed – saved, invested, or spent.
2. Spend more than you make. You borrow money, and accumulate payments which prevent you from enjoying money later.
    a. You aren't able to save, so you aren't able to invest, so you aren't able to spend later.

No matter how complicated or scary they seem at first, all financial decisions can be distilled down to a choice between these two options.

Picture each box in the "Wealth Journey" / "Debt Journey" diagram above — green to the left and oranges on the right — as pools of water.

- Start at the green "Make $$$" circle, which represents money we made working.
- We start to use our money to buy things. We come to the crossroads. After paying the bills is there anything left, or did we spend it all?
- If there's money left, we spent less than we made
    - Water flows to the "Make > Spend" pool.
    - We can use the extra money we don't spend to build up savings
        - Water flows into the green "build savings" pool.
- If there's nothing left in the bank before payday, it means we spent everything.
    - Water flows to the orange the "Make < Spend" pool
    - If we still want to eat (or do anything) without money, we must borrow.

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- Water flows to the "go into debt" pool.

If You're on the Wrong Journey

As humans, we're all creatures of habit. If we spend more than we make, those bad habits can get reinforced by a society that tells us that debt is ok, even "normal". One step down the debt journey is no big deal. Like accidentally turning into a dark alley, just turn around and find your way back.

But continuing on the wrong path is where we find trouble. You may be – I was at one point – thousands of dollars away from the right path. That feeling sucks, but don't get discouraged!

Whichever path we're on, EVERY PAYCHECK is a chance to make progress.

The choice is always the same: spend less than we make and move towards wealth or spend it all and move toward debt and frustration.

Whatever path we follow the journey is all about momentum. Debt can start small and snowball, but so can savings investments – in a good way! The trick is to get on the wealth-building path as soon as possible and keep building momentum once we're on it.

So how do we do that?
We must have a plan. Generals don't wander aimlessly into battle and hope to win and likewise, we can't spend money however we feel in the moment and hope our finances will work out.

Notice the little gray cloud that stands guardian between the two paths in the diagram labelled "budgeting".

We need a budget, which we'll cover in a moment. Budgeting is important, but don't do it just because some finance person tells you to.

You need to understand at a gut level why it's important, and the best way to do that is to gaze farther down the journey of wealth and see where it leads.

No Limits

This is the fun stuff. Forget about your current situation, it's time to think bigger. Like, as big as you can.

What would your life be like if your daily choices weren't limited by the numbers in your bank account?

What would you do?
Where might you go?
What would it be like to "win the game"? To not have to sell your time for money if you don't want to?

I love travelling. Going new places, meeting new people, trying to understand different languages and tasting different foods. Watching the sunset on the beach, gaining a new perspective on life. If I didn't have to show up at a certain time and place to make sure I have numbers in my bank account, I would travel more.

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Maybe your dreams are simple – a bigger home for your family or spending more time with your kids or spouse – but I bet removing financial obstacles would help.

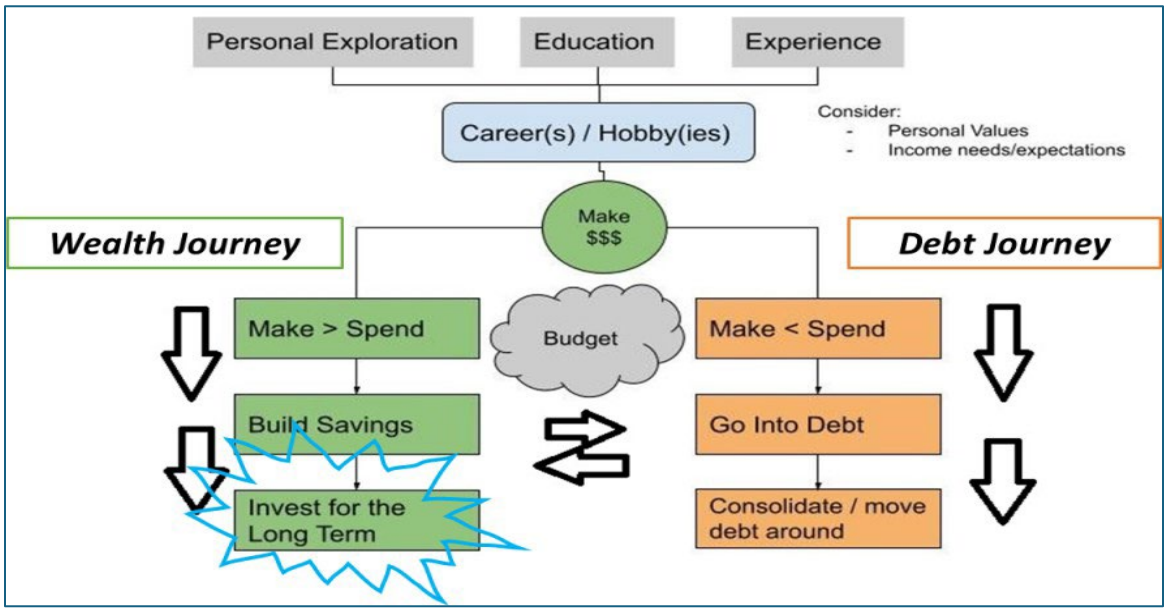
Building wealth is completely possible. People not as smart or good looking as you have done it. Plenty of people have figured out how to win the game. There's no reason why you or I can't be one of those people.

You can do it.

But how?

Wealthy people may have initially made their money hundreds of different ways, but I guarantee anyone who builds serious wealth does one important thing – they invest. So the next step on our journey is focused on getting started with investing, and seeing how far that can take us.

Step 7 – Investing: Plant a Tree



Disclaimer: NOT INVESTMENT ADVICE. Always do your own research or consult a financial advisor who understands your specific situation. Investing involves risks including potential loss of investment.

The key to financial freedom is using your personal earning power (your unique skills leveraged into a career) to build an investment portfolio that grows while you sleep.

Let's discuss why investing is important along with the main types of investments for wealth-building.

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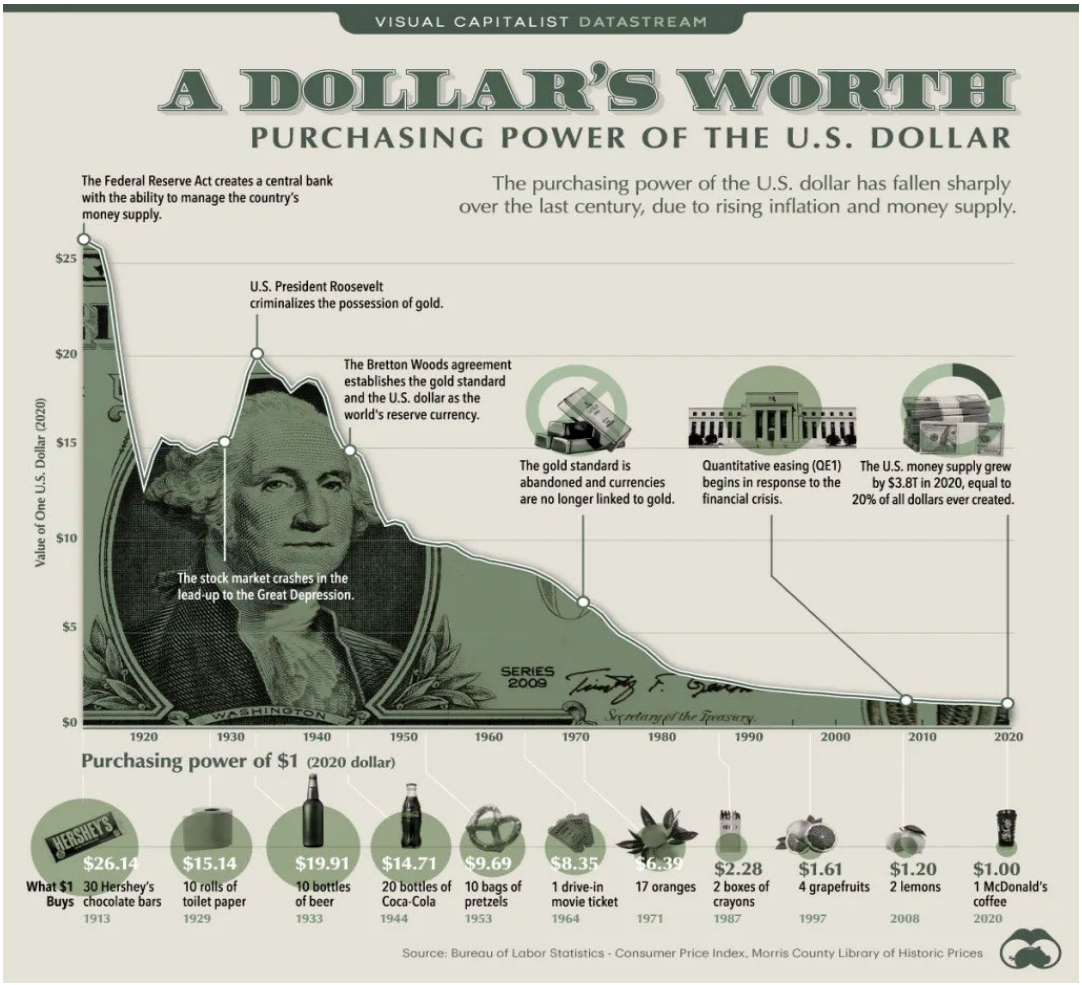
The Challenge of Building Wealth

Emergency funds provide security and keep you out of debt. That's great but it won't make you wealthy.

Inflation erodes purchasing power over time as shown in the graph[3]. Money sitting in the bank does not keep up with inflation. Every day, it's worth less and less.



Building genuine wealth requires harnessing compound interest through investing

Investing vs. Inflation: Historical Perspective

Investing has consistently beaten inflation for 100 years as shown in the chart below. The light blue area at the bottom is inflation. The orange and blue lines represent US stock investments. The gray line is US government bonds. The yellow is 30-day Treasury Bills, close to what you might earn in a money market fund.

[3] www.visualcapitalist.com/purchasing-power-of-the-u-s-dollar-over-time/

[3]

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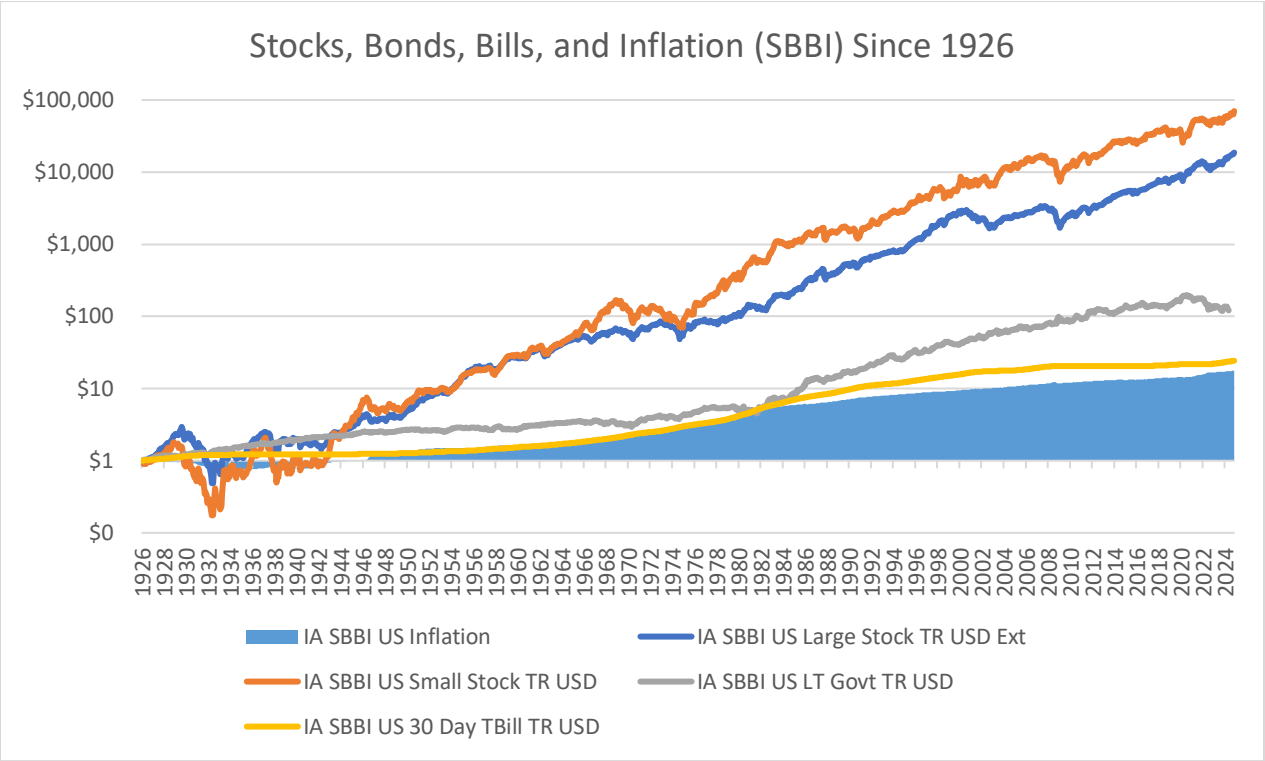

Source: Ibbotson SBBI data[4]

In November 2024, you needed $18 to buy what cost $1 in 1926 due to inflation. Over the same period …

$1 in US stocks grew to between $18,657 - $70,085
$1 in government bonds grew to $121
$1 in T bills grew to $24

Stocks significantly outpaced inflation, while cash-like T bills barely kept pace.

According to Investopedia, the S&P 500, an index of 500 large US company stocks, has averaged approximately 10% annual returns since 1928 [5]. Compared to average inflation of 3.5% over the same period, stocks helped money INCREASE in purchasing power (what you can buy). This is how people beat inflation and build wealth.

Stocks Represent Ownership in a Business

Stocks are a form of equity, or ownership, of a business. Shareholders own a portion of company profits and may have voting rights to determine how the company operates.

Remember from step one that businesses earn profits by providing value. Successful businesses innovate and grow their profits over time. Shareholders have access to that stream of growing profits.

[4] https://rpc.cfainstitute.org/research-foundation/sbbi
[5] https://www.investopedia.com/ask/answers/042415/what-average-annual-return-sp-500.asp

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If you own 10 shares of Wal-Mart stock, for example, you own part of the company and are entitled to a portion of future profits (if there are any). Voting rights allow shareholders to elect the board of directors and other management issues. Management needs to keep stockholders happy or they can lose their jobs.

Many companies pay dividends to shareholders, which come out of company profits. If profits grow over time, they will often increase dividends to keep investors happy. But even if they don't pay dividends, increasing the competitive position of the firm tends to increase the stock price, which benefits shareholders.

Businesses face competition which causes profits to fluctuate. If times are tough, the company doesn't have to give stockholders anything. Dividends can be cut. It's hard to predict how a changing environment will affect companies, which is one reason stocks are risky investments.

Many companies fail, and in the event the company goes bankrupt, shareholders are last in line to get paid, behind bondholders and other creditors. This is why stocks are riskier than bonds, and why investors expect higher returns from stocks over time. Thus, the more stocks you own, you should expect higher growth with more fluctuation in value over time, compared with owning bonds or just holding cash.

The more time you have before you need the money, typically the more fluctuation you can tolerate in pursuit of higher growth. If your aim is to build wealth, and time is on your side, it may be appropriate to have a good portion of your portfolio in stocks. But everyone is different, and you need to consider your own attitude toward risk before investing.

Bonds are Loans

Bonds are contractual obligations between two parties: a borrower (issuer) and a lender (investor). Issuers – either a company or government – are legally required to make regular payments regardless of business conditions.

Bonds are someone else's debt you get paid to hold.

Stock dividends are optional; companies can increase or lower them, even stop them altogether. But bond payments must be paid regardless of what happens (recession, wars, etc). If the issuer fails to pay or "defaults" on the bond, it will be difficult for them to borrow money in the future. This is why bonds tend to be less risky than stocks.

Unlike stocks, bonds do not entitle investors to the issuer's profits. The interest and principal payments stated in the contract are all bondholders can expect to receive. This is why bonds are called "fixed income"; the amount you get is defined in advance.

Returning to our example, if Wal-Mart has a great quarter and profits increase, their stock price may go up, and they may increase their dividends to stockholders. But this would have little effect on holders of Wal-Mart bonds; their fortunes don't change regardless of how good/bad Wal-Mart's business is going. As long as Wal-Mart can make their interest payments, bondholders are happy.

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Interest rates are important for bond prices. If market interest rates rise, bonds issued at the prior (low) rates tend to fall in value. This is because their fixed payments at the lower rate are now less attractive. Conversely, as rates fall, bonds issued at prior (higher) rates appreciate because their fixed payments represent a premium vs. what is now available.

If the issuer goes bankrupt, bondholders have priority over stockholders in a liquidation, and may recoup their investment, whereas stockholders are generally wiped out in that scenario. This is why bonds are less risky than stocks with lower expected growth.

The lower risk of bonds makes them a natural complement to stocks in portfolios. To the extent you are hesitant to take stock market risk, or the sooner you need to access your investment dollars (nearing retirement age for example), increasing the amount of bonds in your portfolio can reduce price fluctuations. This is exactly the strategy behind target date funds, which shift their allocation from stocks to bonds as the investor ages.

Bonds still have some risk – they can go down if market rates increase or the issuer defaults. And their fixed payments are more vulnerable to inflation over time, as we saw in the chart. But bonds are a good tool to manage equity risk in a portfolio.

Investing vs. Speculation

Over 15+ years as a professional investor, the biggest mistakes I've seen people make involve confusing investment and speculation. Understanding the difference between them could literally save you a fortune.

Investing involves taking broad market risks that have historically compensated investors. A competitive business environment, technological innovation, etc.

Speculation involves narrow bets on unproven people, companies, or technologies.

Diversified investments like mutual funds and exchange-traded funds (ETFs) hold "baskets" of stocks and bonds. Some funds hold hundreds, even thousands of individual securities within the fund. So the risk of any single issuer impacting your portfolio is reduced (but not eliminated). These are the types of investments to start with. You can find articles about how to building a basic portfolio on my blog – "Professional Portfolio Design".

Speculation, on the other hand, is taking narrow risk that a specific company or security will prevail.

Speculation is betting on something unproven, or that requires one specific outcome to be profitable. They get the patent, a law gets passed (or repealed), etc. Cryptocurrencies and AI-related startups are current examples, but speculation is timeless.

In 2000 it was "dot-com" internet stocks.

In the 2010s it was marijuana stocks.

In the 1800s it was railroad stocks.

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New technologies come and go. Some change our lives forever, some don't (I'm old enough to remember BluRay). Even if they do, separating the winners from the losers is not easy. There were many "dot-coms" in 2000, and Amazon, Yahoo!, Google, and Ebay are some of the only survivors.

How many AI stocks will be around 20 years from now?

The tricky part is, speculation can be profitable at times. You'll probably meet someone who made money speculating, and they'll make it sound easy. People want to appear successful in the eyes of others, and to themselves.

The media focuses on the winners and ignores the many who go broke and lose it all. You'll feel like a fool for missing out.

Each of the following are speculative activities:

- Day-trading
- Trading on margin (with borrowed money)
- Trading options (sophisticated trading instruments)
- Buying something you don't understand or can't explain
- Buying stocks when you haven't done the research (such as stocks featured in the media)

You don't need to do any of these to build wealth. In fact, speculation is more likely to harm your financial future in the long run.

You can have fun and get a good workout playing basketball without going head-to-head with LeBron. If you try it as a beginner … it will probably hurt.

Boring Investing is Effective

One thing about speculation -- it's fun! I'm not saying you shouldn't have fun, just not at the risk of your financial health. If you want to speculate with a SMALL portion of your overall wealth (5% or less maybe), that's fine. But there are other ways to have fun that won't bankrupt you. Race go-carts, play video games, go rock climbing … you get the idea.



Why speculate when there are proven, PROFITABLE companies to invest in? Normal equity market risk has rewarded investors over a century at least. As a beginner investor, that's the risk you should be targeting. Investing done right … is kind of boring.

Investing is like planting a tree. It's easy to dig a hole in the ground, but a baby tree needs tending to grow into a mighty oak. Regular watering, keeping weeds away, protection from people stepping on it, none of these things take much effort, but they must occur regularly until the tree is established.

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If proper care is given over the first few years, a tree grows deep roots and can survive harsh environments from summer heat to winter's freeze. With proper care, today's sapling can grow into a beautiful tree your kids can climb on in 10 or 20 years.

Like watching a tree grow, investing is not that exciting day-by-day. But if done right, it produces strong results.

Step 8 – Budgeting: Taking Your Financial Pulse

We've seen the benefits of getting compound interest working for us (investing) as well as the pitfalls of having it as our enemy (debt).

Which journey we take – wealth or debt – lies at the crossroads of whether or not we can live on less money than we make. The most straightforward way to figure this out is by doing a personal budget, which you can think of as taking your financial pulse.

Don't like that word? Call it a "cash flow plan". Whatever you call it, having a plan for the money that comes in and out of your bank account will keep you on the right path.

A budget simply involves matching up sources of income with expenses. It's often done in monthly increments as that's the timing of most regular bills, but you can customize it to whatever works best in your situation.

I understand budgeting can turn people off. You might find the idea restrictive, boring, even scary. I can relate.

As a young adult I resisted budgeting because I found it depressing. I couldn't afford my lifestyle at this point in my life. I was failing the key principle of financial empowerment: I wasn't living within my means. I took a left-turn at the crossroads and headed in the wrong direction.

In my early 20s I worked at a sports bar, and didn't make a ton of money. My rent at the time was around 1/2 or more of my monthly take-home pay, which I knew was not sustainable. A good rule of thumb is to keep rent/mortgage around 1/3 or less of monthly expenses. After paying rent and putting some gas in my car, I had little left for groceries, clothes or any of the "extras" in life. I remember spending $100 at the grocery store one time and thinking, "well, now I'm broke for the rest of the month".

Budgeting Provides Confidence

If you hate the idea of budgeting, find it scary or think it won't make a difference because your finances aren't where you'd like them to be – that's ok. Remember, this is a journey, and we all have to start somewhere.

Don't stress too much if you're just beginning to track your finances. The picture probably won't look the way you'd like at first but trust me, there is value in the process.

As my career picked up and I started making more money I saw the benefits of budgeting. Knowing

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what I could spend gave me confidence to make plans with friends, purchase things I needed, and keep the lights on.

My stress level around money went down.

Getting Started

Budgeting can be a simple, quick and easy process. I've provided an example template at the end of this document you can use, or download a spreadsheet version here.

To start, sit down and write out your monthly income. Many people get paid the same amount every couple weeks, so this part is easy. If you have side hustles, alimony, any other sources of income, write those down also. Keep going for as many income sources as you have and total them up into one number.

Now do the same for expenses. List the amount you spend on mortgage/rent, food (groceries, restaurants), transportation (gas, car payment, insurance), utilities (electricity, internet, water, phone), clothes, … keep going until all the things you regularly buy are listed. Total these up.

Compare the totals. Subtract your total expenses from your total income. This number is your net income.

Is there anything left?

NET INCOME: THE KEY INDICATOR OF FINANCIAL HEALTH

Your monthly net income is the most important number in personal finance. If you realize you're spending more than you earn, don't panic—acknowledging the issue is the first step toward fixing it. Instead of feeling discouraged, start analyzing your expenses.

List expenses from highest to lowest and brainstorm ways to cut costs. Your biggest expenses are likely housing and transportation—can you move to a cheaper area, get a roommate, or downgrade your car? Go down the list, adjusting each expense until your income can cover them. If that's not enough, explore ways to increase your earnings.

Consider negotiating a raise, switching to a higher-paying job, or gaining new skills for better opportunities. A side hustle could also help. Research potential careers, check salary data, and tap into your network for advice. Budgeting isn't just about limitations—it's also about opportunities. The more you understand your finances, the better equipped you'll be to make strategic changes.

BUDGET YOUR DREAMS

Don't just budget for your current situation, budget for your dreams. Outline the costs of your ideal career, travel goals, or homeownership. Even if these goals seem far off, mapping them out makes them feel real. Saving for a down payment or a career switch may take years, but visualizing the path makes it easier to stay on track. As finance experts like Paula Pant and Ramit Sethi emphasize, you can afford anything—but not everything. The key is prioritizing what truly matters and making a plan to achieve it.

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RINSE & REPEAT

Budgeting isn't a one-time task; it's an ongoing habit. Checking in on your finances once or twice a month for a few minutes helps you stay in control. Prioritize savings and debt repayment before other expenses, and as your net income grows, direct extra funds toward financial goals. Life is unpredictable, and some months may not go as planned, but consistency will help you build long-term financial security.

CONTINUE YOUR JOURNEY

Once you're consistently living below your means, build an emergency fund with 3-6 months' worth of expenses. After that, focus on long-term investments. If homeownership is a goal, start saving for a down payment, but if renting suits your lifestyle better, keep progressing toward other financial milestones. Ultimately, financial success comes down to knowing your numbers, making informed decisions, and staying committed to your goals.

Are You Alive?

Take your financial pulse – how are you doing? Be honest with yourself. Even if you aren't currently earning the money you'd like to, learning to budget will give you confidence, and it doesn't take much time once you get in the habit.

Track your net income and focus on increasing it – that number will fuel your dreams.

Take control of your finances, budget your dreams, and watch them become reality.

Action items:

1. **Track income** by listing all sources of money (salary, side gigs, etc.).
2. **Record all expenses** by categorizing them (housing, groceries, utilities).
3. **Calculate net income** by subtracting expenses from income.
4. **Identify areas to reduce spending** (e.g., cancel subscriptions, limit dining out).
5. **Set goals** for reducing debt and increasing savings over time.

Step 9 – Work the System



The math is simple: income vs. expenses. The hard part? Changing the numbers to match the life

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you want. Many slide into debt without realizing there's an alternative. If you don't want that to be you, take control.

Life Isn't Happening to You

One trait that separates successful people from the rest is "locus of control". The concept is simple, each of us either believes our lives are the result of circumstances we can't control (external locus of control) – OR – believes the choices we make give us control over our lives (internal locus of control).

I strongly suggest you develop an internal locus of control if you haven't already done so.

If you've read the posts up to this point and tried some of the ideas, it should be apparent that changing your circumstances is possible. Small actions done repeatedly can lead to very different outcomes over time.

You CAN find a career you love.

You CAN track and manage your expenses.

You CAN reduce debt, build wealth, and gain financial independence.

People who started in worse situations than you or I have done these things. Deciding not to care, living beyond our means, building up debt, being unhappy – an external locus of control means all of this is fine. It's not our fault! The system's rigged. Life's unfair, we'll just end up getting screwed, so why try?

Shady financial companies thrive because a lot of people (sadly) think this way.

Banks want you in debt. Credit card companies don't want you doing a budget or building an emergency fund; if everyone did that, they might be out of business.

Thank You

I hope something you read here helps you get to a better place financially. I've spent years of my life and many late nights writing these words.

If you take nothing else away from this, I hope the knowledge that you have the power to control your destiny stays with you.

Remember, no matter what your current financial situation looks like, a few simple, consistent actions can set you on a path to financial empowerment.

This is your journey.

Thank you for reading

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Matt Gagnon, CFA
Investment Advisor & Portfolio Manager

Next Steps

Visit the FE blog for more free articles on getting out of debt, investing strategies, and more.

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Appendix 1 – Empowerment Journey: The Path to Financial Freedom.

Empowerment Mindset

You can make money while adding value to people's lives—no guilt necessary. Wealth is a byproduct of impact, try to increase both.

Choose Your Adventure

Your career dictates your financial limits. Find work that aligns with your skills and interests. Self-assessments like Myers-Briggs help. Keep an open mind—opportunities come from anywhere.

The Crossroads

Spending less than you earn is the key to wealth. Save and invest the difference. Emotional spending is a trap—be mindful of financial decisions to protect your freedom.

Build Your Financial Moat

Savings act as a buffer against debt. Aim for 3–6 months of expenses before investing. A solid emergency fund provides peace of mind.

Avoid the Debt Trap

Debt is the opposite of wealth-building. It turns compound interest against you. Our culture encourages debt, but financial freedom means resisting it.

Two Journeys: Wealth or Debt

Every paycheck is a chance to choose your path. Both debt and wealth grow with momentum—be intentional and set big goals.

Investing for the Long Run

Inflation erodes wealth. Stocks and bonds have been the best defense for centuries. Once savings are in place, invest steadily—boring but effective. Avoid speculation.

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Take Your Financial Pulse

Review your budget regularly. Keep expenses in check and direct your income wisely—towards savings, investments, or mindful spending.

Appendix 2: Simple Budget Template

Income	**Monthly Amount**	**Due Date**	**Notes**
Employment income (after tax)	+$$$$$$	Every two weeks/ monthly etc.	
Other income	+$$$$		
Total Income	*+$$$$$$*		
Savings & Debt Expenses	**Monthly Amount**	**Due Date**	**Notes**
Tithe & giving	-$$	xx of each month	
Credit card payment	-$$	xx of each month	
Transfer to savings	-$$	xx of each month	List goals (goal 1, goal 2 etc.)
Transfer to investment account	-$$	xx of each month	
Total Savings & Debt Pmts	*-$$$*		
Necessary Expenses	**Monthly Amount**	**Due Date**	**Notes**
Housing (Mortgage/rent)	-$$$$	xx of each month	
Childcare (daycare, etc)	-$$$	xx of each month	
Groceries	-$$		
Internet	-$	xx of each month	
Cell phone	-$	xx of each month	
Utilities (water, gas, electricity)	-$$	xx of each month (can list each separately)	
Transportation (Car insurance, car payment, gas, tolls etc)	-$$		
Clothing	-$		
Total Necessary Expenses	*-$$$$*		
Optional Expenses	**Monthly Amount**	**Due Date**	**Notes**
Restaurants	-$$		
Subscriptions (Amazon, meal delivery, etc)	-$	xx of each month (can list each separately)	renews xx/xx each year
Streaming services/cable	-$	xx of each month (can list each separately)	
Shopping	-$		
Entertainment (Concerts, etc)	-$		

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Vacation (hotels, flights, etc)	-$$		
Total Optional Stuff	*-$$$*		
Do the Math			
Total Income	+$$$$$$	**+**	
Savings and debt payments	-$$$	**-**	
Necessary expenses	-$$$$	**-**	
Optional expenses	-$$$	**-**	
Net monthly income	**$**	**=**	