HOW TO NOT DIE POOR

Financial Planning for People Who Hate Financial Planning

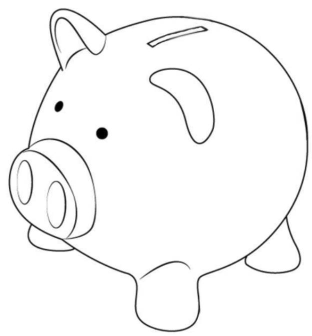

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Table of Contents

Introduction	2
Part 1: You Need a Budget	3
Part 2: Automation	3
Part 3: Save Money	4
Part 4: Pay Off Your Debt	8
Part 5: 3 Month Savings Cushion	11
Part 6: Save for Retirement	12
Part 7: Buy a Home	16
Part 8: Student Loans	16
Part 9: Saving for your kids' college	17
Part 10: How to Buy a Car	18
Part 11: When to Hire a Financial Advisor	19
Conclusion	20

Introduction

We are a group of financial advisors. We've worked with over 500 clients helping them get their financial sh*t together. We give the same advice to most of our clients day in and day out. We charge our clients a lot of money for this advice.

This paper contains a lot of the same advice we give our clients. If you have the money, hire a financial advisor. I promise you, it's worth it. But if you don't have the money, this paper will get you pretty damn far.

This paper will cover everything you need to know to not die poor. It will tell you how to pay down your debt, buy a house, save for retirement and a few other things. It will get you from an F in your financial life to a B+.

We wrote this paper to be as short as possible. We know you'd rather be watching Netflix. But you are reading it because you want to avoid waking up one day with no money living in a homeless encampment. The good news is, this paper provides the *least* amount of information you need to get you to do what needs to be done.

This paper is boring. You will not enjoy reading it. There are no stories and there's nothing motivational about it. It's just common sense financial advice that has been tested and proven countless times. If you follow our straightforward instructions in this paper, you will not die poor.

Part 1: You Need a Budget

The only way to not die poor is to save money.
The only way to save money is by spending less money than you make.
The only way to spend less money than you make is by sticking to a budget.

When you make a budget, it makes you aware of how much you're spending.
When you are aware of how much money you're spending, you will spend less.

Begin by completing this monthly budget: LulaFinancial.com/budget

It won't be fun. You'll have to guesstimate most of it. That's perfectly fine. Use your latest credit card and checking account statements for help. Just try your best.

Do not continue reading this paper until you have completed the budget. Seriously. This lame boring budget is the foundation of your financial future. I am not exaggerating.

Part 2: Automation

Automation is when things happen automatically while you're sleeping. It is our greatest tool in financial planning. We're all lazy and undisciplined. Automation is here to save us from ourselves. The more things you can automate in finance the better. Set it and forget it.

Automate as much of your financial life as possible. The next few sections of this paper will rely heavily on automation.

Part 3: Save Money

If you spend more money than you make, you will die poor. To save money, you have to spend less money than you make. Here are the four best ways to bring down your spending.

1. Split Your Paycheck

Most employers will allow you to split your paycheck. This means they will divide your paycheck up and send the money to different accounts.

Here's an example: Let's say you make $2,000 per paycheck. You can ask your employer to automatically send $1,500 to your checking account and $500 to your savings account every time.

When money goes directly into your savings account, you're automatically forced to save. You don't have to remember or even think about saving. Automation!

If you work for yourself, you don't have a paycheck. Instead, you can set up an automatic recurring transfer from your checking account to your savings account. All banks will allow you to do this. Automation!

Whether you have a job or you're self-employed, you'll be using the budget you made to determine how much you can afford to save every month. Once you've determined that amount, ask your employer to split your paycheck or set up that recurring transfer at your bank.

2. Eat Out Less & Order in Less

90% of my clients go from being broke to saving money by eating out less and ordering in less. This is not an exaggeration.

Eating out and ordering in is making us all broke. It's also making us unhealthy.

If you order in less and eat out less, you will save lots of money. Most people don't realize how expensive it is to order food from a restaurant.

You order a $15 entree. No big deal, right? But then you get a drink and then there's tax and then there's a delivery fee and then there's the tip. So when all is said and done it somehow ends up costing you $25.

If you order in or eat out only 4x per week: $25 x 4 meals per week x 4 weeks = $400/mo!

Most people spend *more* than this on restaurants and ordering-in.

When you do eat out, avoid drinks, appetizers and desserts. Stick to one entree and water. This will cut your restaurant spending in half and make you skinnier.

You probably don't even want to order in and eat out as often as you do. You're probably overworked and tired and haven't had enough time to go grocery shopping or plan for a meal. So you're forced to order in because it's the easiest way to get calories into your precious little body asap. So how can we fix this?

3. Meal Planning

Meal planning will make you rich. The more you cook, the more money you will save and the healthier you will become. Here's how you're going to meal plan in five easy steps:

Step One: Open your calendar right now and find a timeslot when you're usually free. Create a 90-minute event in your calendar called, *Grocery Shopping*. After you've made the event, set it to automatically recur every single week until the day you die. Automation!
Step Two: Use this template to plan your meals out for the week:
LulaFinancial.com/mealplan

Be sure to leave some meals blank for when you plan on eating out, going to a party etc.

Step Three: Create a shopping list of all the ingredients you need to cook the meals in your meal plan.

Step Four: Go to the grocery store at the time you have designated in your calendar. Use the shopping list you made to get the right ingredients for your meal plan. Do not go to the grocery store when you are hungry. Stick strictly to your list.

Step Five: While you're at the grocery store, pick up some delicious frozen meals that you'll have as backup on those days when you just don't feel like cooking.

Once you schedule a recurring time to grocery shop and plan out your meals, you will immediately begin saving hundreds of dollars per month.

4. Spend Less on Travel

The 2nd most common reason we go over our budget is travel. I don't want to rob you of your vacations or adventures. But I would like them to be less luxurious.

If you're craving the beach, skip Hawaii and go to Mexico instead. Rather than booking the hotel on the beach, book the Airbnb two blocks from the beach.

Rather than eating out for all your meals, stock your hotel/Airbnb fridge with a couple of frozen meals and plenty of snacks. Instead of going to three restaurants every day. Try to eat at one restaurant per day.

Travel for adventures and memories. Not for the luxuries.

Part 4: Pay Off Your Debt

Pay Your Entire Credit Card Balance Every Month

Credit card debt is the cancer of financial health. Credit card debt will destroy your ability to save. It is incredibly easy to fall into credit card debt. About 1/2 of all Americans are currently in credit card debt.

Never pay the minimum required balance. To avoid getting into credit card debt you need to pay off your entire credit card balance every month. That means that if you use your credit card to buy $3,500 worth of stuff, at the end of the month, you need to transfer $3,500 from your checking account to your credit card company. That way you'll owe them $0.

Log in to your credit card account and change the settings to automatically pay off the entire balance every month. This way you won't even have to remember. Automation!

If you're the kind of person who tends to overspend (like most of us) or you are not super disciplined with your spending, don't even use a credit card. Use a debit card for all your purchases. Debit cards will keep you safe. A debit card will allow you to spend only the amount of money you have in your checking account. Debit cards prevent you from going into credit card debt. Debit cards force you to behave. Automation!

Pay Off Your Existing Credit Card Debt ASAP

If you are already in credit card debt, getting out of it is the very first thing you need to do. The interest rates on credit card debt are so insanely high that you will never be able to save. If you owe just $5,000 in credit card debt, you are already paying $1,000 a year in interest payments alone!

You need to focus all your attention on getting out of credit card debt immediately. Staying out of credit card debt is tough enough. Climbing out of credit card debt is even harder. As intimidating as it feels, most of my clients can eliminate their credit card debt in fewer than 18 months. Here's how you're going to get out of credit card debt.

1. Cut up all your credit cards right now. Seriously, get off your ass, gather up your credit cards and cut them up.

2. If any of your monthly payments or subscriptions are linked to your credit card, transfer them to your debit card immediately.

3. Use only your debit card and cash for all purchases going forward.

4. Do not save for a house or retirement while you are in credit card debt. It's better to use the money to pay down your credit card debt instead.

5. Stay away from restaurants and ordering-in.

6. Do not go on any vacations.

7. See if you are eligible for any 0% credit cards here: LulaFinancial.com/zeropercent
If you are, apply for as many as you can and transfer your existing credit card debt to these 0% cards. This will not bring down your principal but it will get rid of the high-interest rates you are paying.

8. Throw as much money as humanly possible at your credit card debt. Every extra penny you have should be going toward paying off your credit card debt.

If You Can, File for Bankruptcy

Sometimes, it's simply impossible to pay off your credit card debt. Your monthly expenses are so high that your salary won't allow you any extra money to pay off your existing credit card debt. The good news is that there's a magic bullet that will fix it. Filing for personal bankruptcy.

When I first recommend filing for personal bankruptcy to my clients, they freak out. They often think that only deadbeats file for bankruptcy. This could not be further from the truth. Filing for bankruptcy is a strategic financial instrument that lots of savvy businesses and people utilize. Walt Disney, Abraham Lincoln, and Dave Ramsey have all filed for bankruptcy.

Hundreds of thousands of Americans file for bankruptcy every year to get a second chance at life. The problem is that it's a taboo topic that no one talks about. I guarantee that you know several people who have filed for personal bankruptcy. I work with a lot of high-earning individuals who on the outside appear to be wealthy but are currently filing for bankruptcy.

If you are eligible for personal bankruptcy, you should absolutely take advantage of it. It is one of the most effective tools you will have to get your financial life back on track. Here's a quick and dirty way to know if you're a good candidate for personal bankruptcy.

1. Add up all your credit card debt, personal loans and medical debt and divide by 60.
2. If you cannot afford to contribute that number toward your credit card debt every month, you should reach out to a bankruptcy attorney.

Example
Your total debt is $10,000.
$10,000 ÷ 60 = $166/mo
If you cannot afford to set aside $166/mo toward paying off your debt, then you should reach out to a bankruptcy attorney.

Hop onto Yelp.com and find a personal bankruptcy attorney for a free consultation and they'll guide you through the process.

Part 5: Have a 3 Month Savings Cushion

Once you are 100% free of credit card debt, your next job is to save up three months of living expenses. Use your budget to determine how much money you need to survive every month and then multiply by 3. This is how much you should have in your savings account at all times.

Example: You spend $5,000/mo.
$5,000/mo x 3 months = $15,000. This is your three-month emergency cushion.

Remember how to save? *See Part 3: Save Money*.
1. Split your paycheck so money is automatically sent to your savings account.
2. Spend less money at restaurants and ordering-in.
3. Take cheaper vacations.

Some people can build up their emergency cushion in 6 months. Other people take 24 months. It's not a race. It takes as long as it takes.

Part 6: Save for Retirement

If you've paid off your credit card debt and have a three-month savings cushion, you're now in the major leagues. Only 1/3 Americans can get to this point. Great work!

Now that you have your three-month emergency cushion, you can stop putting money in your savings account. It's time to start sending that money to a retirement account.

401K

If your company has a 401k, start using it. You don't need to understand how it works. All you need to know is that it's the best way to save for retirement.

Contribute at least 10% of your paycheck to your 401k. Automation!

Ask your HR department for help setting this up. If you're able to save 15% or 20% then go for it! The more money you save the better. I've never met anyone who said, "I saved too much money for retirement."

ROTH IRA

If your job doesn't have a 401k or you work for yourself, that's OK. You're going to save for retirement using an account called a Roth IRA. You don't need to understand how Roth IRAs work. You just need to know that they are the best place to save for retirement if you do not have access to a 401k.

1. Call Fidelity to open your Roth IRA: 800-343-3548

2. Once you get a human on the phone say: "*I'd like to open a Roth IRA".*
Fidelity will walk you through the steps over the phone.

3. After the Roth IRA has been opened say: *"I'd like to set up an automatic recurring transfer of $500/mo from my checking account to my Fidelity Roth IRA to automatically purchase shares of FZROX."*

Note: I'll explain what the hell FZROX is in a little bit.

If you cannot afford to save $500/mo, save as much money as you can. Automation!

Start Saving Now

I'm not going to bore you with the math behind compound interest. Just know that it's amazing and Einstein called it "*the 8th wonder of the world*" for a reason. For compound interest to really work its magic, you should start saving for retirement as soon as possible.

Here are three retirement scenarios of what it'd look like if you were to begin saving $10/day and invest it beginning on your 20, 30 and 40th birthday.

Age	Money you put in	Money you'll have @ age 65
20	$164,250	$2,705,572
30	$127,750	$1,037,433
40	$91,250	$382,482

If you want to play around with more retirement scenarios, here's a retirement planning calculator: LulaFinancial.com/calculator

Only Invest in Index Funds

If you have a 401k or a Roth IRA, you can choose how it will be invested.

When you are saving for retirement, all your money should be invested in index funds. Index funds are Warren Buffett's favorite investment. All of my investments are in index funds.

An index fund is a basket full of a little bit of every single stock in all of America. By owning lots of different stocks your investments will be diversified. If index funds were a car, they'd be a Toyota Camry. They're not sexy or fast. They're just a good dependable car that your dad would want you to buy.

Over the past 100 years, index funds have made us a lot of money. Some years they make us lots of money and other years they lose us lots of money. But on average, over the long run, they make us about 10% per year. Your savings account makes less than 1% per year. Index funds perform better than most mutual funds or individual stocks.

There are lots of different types of index funds. Warren Buffett's favorite index fund is called a *U.S. Total Market Index Fund.*

Your 401k will probably offer a U.S. total market index fund as one of the investment options. Call your 401k provider and ask them to put 100% of all your current and future 401k investments into a *U.S. Total Market Index Fund*. If they don't offer a total market index fund, ask them to put all your investments in an S&P 500 index fund.

Fidelity's best index fund is FZROX
Vanguard's best index fund is VTSAX
Charles Schwab's best index fund is SWTSX

Do Not Buy Individual Stocks

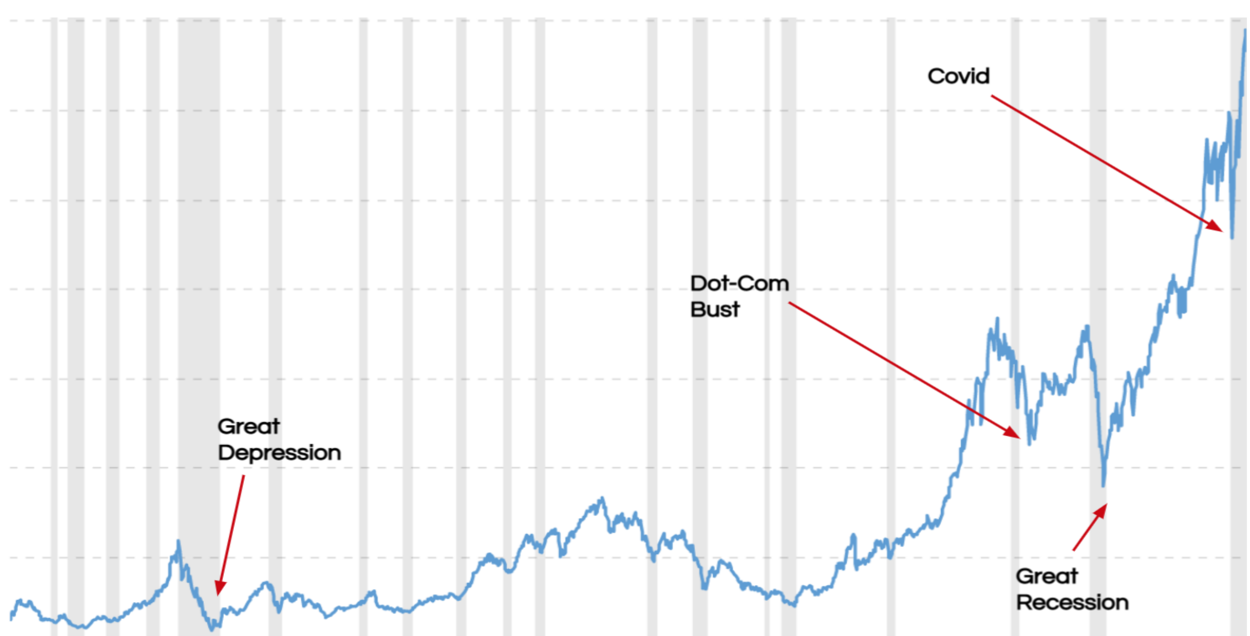
Index funds are the only stock you should own. Do not pick out individual stocks on your own. 90% of the time, index funds outperform individual stocks over the long run. Do not use Robinhood or any other company to buy and sell stocks. Do not day trade. Only invest in U.S. total market index funds.

Buy & Hold

Once you begin using your 401k or Roth IRA to automatically purchase index funds, it's very important that you do not sell your index funds until retirement.

The stock market is our best friend who happens to be bi-polar. It's really good at making us money in the long run but constantly has manic episodes and crashes. When the stock market crashes, it's crucial that you keep your cool, do not sell your index funds and just let the stock market recover.

While the stock market has crashed dozens of times, it has also recovered every single time. Here's a graph of our bi-polar best friend working his magic over the past 105 years.



Part 7: Buy a Home

Buying a home takes a lot of hard work but it's arguably one of the best investment decisions you'll ever make.

Home buying is a complex topic that I can't explain quickly. If you've paid off your credit card debt, have a 3-month cushion and are saving 10% of your income toward retirement, you're ready to think about buying a home.

This longer article breaks down the nitty-gritty of buying a home.

This spreadsheet will show you how much house you can afford to buy.

Part 8: Student Loans

Don't ever be ashamed of your student debt. Going to college/grad school is almost always a smart investment.

Student loan debt can be daunting and often takes more than a decade to pay off. That's OK. It takes as long as it takes. The good news is that student loans tend to be at lower interest rates than most other kinds of debt.

Here are 2 hacks to make paying down student loans less painful:

1. If you work for a non-profit or governmental organization, look into the Public Student Loan Forgiveness Program. This is an amazing way for non-profit and government employees to pay off their student loans quickly.

2. See if you're eligible to refinance your student loans. If forgiveness is not an option for your student loan situation, refinancing can be a great way to lower your interest rate and save you tons of money. If you can lower your interest rate by even 1% it's a big deal. Reach out to this company to see if you're eligible for student loan refinancing: credible.com/refinance/prequal/signup

Part 9: Saving for Your Kids’ College

The most important thing to know about saving for your kids’ college is that it’s not necessary. You do not need to pay for your kids’ college. Your kids can borrow money for college at low-interest rates. You cannot borrow money for retirement.

If your kid graduates from college with some debt, it’s fine. But if you pay for your kids’ college without saving for your own retirement, it will ultimately fall on your kids’ shoulders to take care of you during retirement. You do not want to be a financial burden to your children.

Before you even think about paying for your kids’ college, you need to have done these things first:

1. You've paid off all your credit card debt.
2. You have a 3 month savings cushion.
3. You're on track toward having a financially secure retirement.
4. You’ve bought a home. It's OK if you're still paying off your mortgage.

Once you’ve accomplished the above, you have my blessing to save for your kids’ college. The most cost-effective way to save for college can be found here: LulaFinancal.com/college.

Do Not Send Your Kids to a Private University

The vast majority of private universities are a bad investment. They’re overpriced and they won’t make your kid any more money than a public university will.

The exception to this rule is private ***elite*** universities like Harvard, Stanford, MIT, Yale, Princeton, etc. These schools are also very expensive but having a degree from them pays off.

Spoiler alert: The probability that your kid gets into an elite private university is slim to none. So please just send your kid to an in-state public university.

Part 10: How to Buy a Car

1. Buy a car that is at least 3 years old and has over 50,000 miles on it. New cars are grossly overpriced.

2. Do not lease a new car. I won't bore you with the math. Just know that it's even more expensive than buying a new car.

3. Do not buy European cars. They're very expensive to repair & their replacement parts are a fortune. If the car is made by: Mercedes, BMW, Volkswagen, Audi, Saab, Fiat, Mini or Volvo do not buy it.

4. Luxury cars are designed for people with low self-esteem. If you have low self-esteem, that's OK. Unfortunately, the luxury car will not increase your self-esteem. You'll get a better return on investment if you buy a Honda and spend the savings on therapy.

5. After you've determined the model you'd like to buy, use the Kelley Blue Book to determine a fair price for the car.

6. Try to politely bargain down the seller by pointing out everything imperfect with the car e.g., the radio doesn't work, scratch on the hood, cracked side mirror, etc.

7. Test drive the car and take it to a mechanic that you trust for an inspection. If you don't know any mechanics, find one on Yelp.

8. If the car is used, fairly priced, not European, drives ok and the mechanic gives it a thumbs up, then buy that car.

9. I'd prefer you pay with cash but it's fine if you need to get an auto loan. Take an auto-loan only if the interest rate is less than 3%.

Part 11: When to Hire a Financial Advisor

If you can afford to hire a financial advisor, you should. The bad news is that we're not cheap. The good news is that any decent advisor will end up making you way more money in the long run.

The generic advice I've laid out in this paper is broad and relies on a lot of assumptions. A financial advisor gives you custom-tailored advice specific to your exact situation. We also hold you accountable and keep you on track. If this paper were a gym membership, a financial advisor would be a personal trainer.

A lot of people think that financial advisors are just for rich people. Wrong! A good financial advisor is most effective at helping middle-class and low-income clients. We're especially useful to the following groups of people:

- Young families with kids.
- First-time homebuyers.
- Anyone with stock or stock options from their employer.
- Anyone making over $140,000/yr or any couple making over $208,000 combined.

What To Look for When Hiring A Financial Advisor

- Don't just hire your parent's financial advisor.

- Hop onto Yelp and reach out to the top three advisors in your area and talk to all of them.

- Make sure the advisor is a fiduciary. This means they will always put your needs ahead of their own.

- Make sure they are a fee-only advisor. This means they won't try to sell you lame financial products.

- Small independent firms provide better customer service than big companies.

- Sexist generalization: women tend to make better financial advisors than men.

Conclusion

There's a difference between knowing the path and walking the path. This paper aims to show you the path. That's the easy part. Now you need to walk the path.

Buy less crap.
Save more.
Use your 401k or a Roth IRA.
Set up automatic transfers.
Set up automatic investing of index funds.

It's a pain in the ass. But not as bad as living in a tent encampment under a freeway.

If you have any follow-up questions, please email me at benjamin@lulafinancial.com.