*Un*automate Your Finances:

A Simple, Passionate Approach to Money

by Adam Baker

foreword by Leo Babauta

I would like to dedicate this project to my wife, Courtney, who not only supported a year of bizarre hours with no pay, but who possesses the most inspiring combination of determination and flexibility I've ever seen.

I love you.

Layout and Graphics by Ivylime Designs.

Welcome! You Rock!

Thank you for your purchase!

I get what just happened. You just spent a small portion of your hard-earned money on a project that I've worked so hard to create. I appreciate this and am truly honored by your show of support.

"Unautomate Your Finances" is my baby. It's the culmination of tiresome trial and error in our own finances, with a heavy influence from all the personal finance books, blogs, and media I've consumed in the last 2-3 years. Most of it was written on the road in Australia, New Zealand, and Thailand, before finishing it up back home in Indiana.

Contributing the foreword and companion video interview is **Leo Babauta** from ZenHabits.net. Zen Habits was one of the first blogs I ever read, back when Leo was simplifying his own finances and destroying his debt. As you can imagine, I'm stoked to have Leo offer his support for the project.

I'd also like to thank **J.D. Roth** of GetRichSlowly.org for contributing his own experience and story in the companion audio interview. I look up to J.D. as a shining example on how to build a blog, a community, and a financial success story.

Free bonus updates! Following in the footsteps of one of my mentors, Chris Guillebeau, I'll be updating this guide in the coming months with case studies, additional interviews, and answers to frequently asked questions.

If you'd like you can sign-up to receive future updates and additions to this guide for free by entering your e-mail. Your e-mail will only be used to send you additional updates to *Unautomate Your Finances* and the free companion downloads.

More than anything, **I'd love to hear your feedback.** If you have any praise, criticisms, questions, or burning desires to connect with me... here are several options:

- E-mail me at **Baker@ManVsDebt.com**.
- Hit me up on Twitter: @ManVsDebt
- Become a MvD Facebook Fan and message me.

Please get in touch, so the next time we talk, I can address you by name!

Xoxoxo,

-Baker

Table of Contents

Foreword by Leo Babauta

It's amazing now that I'm looking back on my life how far I've come. Each step along the way didn't seem that difficult or life-changing, but these little steps have really added up to a pretty long journey.

It's hard to say where to start, but I'm going to start at the low point, which amazingly was only about five years ago (2005). I was heavily in debt, with lots of credit card debt, a car payment, medical bills, and other outstanding bills that had actually gone to bill collectors. Luckily, I didn't have a mortgage to pay, but had just about every other kind of debt.

I wasn't making ends meet. I'd struggle just to make rent and pay my power bills, while holding the creditors at bay as best I could. Often I had to borrow money from friends or family just to manage that. Collection agencies and other bill collectors were calling my house frequently, to the point where I didn't want to answer the phone.

It was depressing. It was also scary, because I didn't know how I'd pay my bills and whether my family would soon be on the streets.

There wasn't one moment of epiphany, but the turning point for my finances came when I began to learn how to effectively change my habits, starting with quitting smoking and beginning running. I applied those habit principles to many areas in my life, including finances: cutting back on spending, consciously planning my spending, eliminating my debt, saving and more.

A huge change for me also came when I decided to simplify my life, for many reasons, not the least of which was that I wanted a saner way of living. I was tired of the clutter of my possessions, a hectic schedule, and all the debt.

So I simplified my possessions, focused on what really made me happy, and stopped spending on things I didn't need.

I finally realized making things *harder* isn't a bad thing.

When we must do things ourselves, and it costs us in time and effort, it forces us to consider whether it's worth doing at all.

When you have to walk to a store (or drive) and buy something with cash, it's less convenient than ordering it online and having it delivered to your door. But that inconvenience is a cost, and this higher cost will give us pause.

And that pause is everything. There is infinity in a pause. Within that pause is thought, is a decision that we must make, a decision we have usually automated because the action is so easy and fast that we don't need to think about it.

It's easy to buy things — easier than ever before. Things are easy, but is that the way we want them?

Easy is nice, but it leads to consequences that we might not want. It leads to excess, to debt, to information overload, to getting fat, to having too much, to never having enough time for what's truly important.

I finally realized that minimalism was the answer. I needed to reduce, do and have less.

For me, *Unautomation* was a path to minimalism.

This process slowly increased my financial consciousness, to the point where my spending was greatly reduced. I saved up an emergency fund, stopped using a credit card, and started paying off my debt.

In 2007, I channeled my focus into increase my side income, though blogging, freelancing and ebooks.

A couple years after the "turning point", by the beginning of 2008, I was debt free! It was one of the most liberating things I've ever experienced.

These days, I've re-automated much of my finances, but in a good way. I'm still conscious of my spending, and rarely buy on impulse.

I'm still very *Unautomated* in my attempt to control clutter. I maintain a list of all my possessions and actively search for ways to reduce and simplify them. I know Baker does this, too. It's been a more recent enlightening exercise for me.

When I do make purchases these days, I'm careful to ensure I spend far less than what I earn.

The nice thing is, I don't have to worry about finances much anymore as my bills are paid automatically and my savings and investments increase automatically based on my new, healthy habits.

It's really a great way of living.

-Leo

Introduction

Let's get this out of the way early...

I don't think automation is evil. Actually, I'm a big believer in the power of automation when it comes to money. Courtney and I even automate select areas of our own finances.

So, what the hell... did you pull this 'Un-automation' out of your... thin air?

Not quite.

Here's the thing... as a society, **we've gone too far.**

We've become obsessed with automation. We've become blinded. We've begun prioritizing "optimization" and "synchronization" over finding a remedy the actual underlying problems.

Everyone wants the easy way out. We all want a fool-proof system. We want our bills to be paid without thought, our daily purchases to take less than a second to swipe, and the normal stress around money to dissolve with effort.

We dream that if we could only find the right combination of automation, optimization, technology, and software, we could achieve a form of *financial nirvana*. Or rather, we hope that these systems, techniques, and top secret information will hit nirvana for us.

It's bull-hockey. Deep down, we all know it doesn't work that way.

Automation, itself, is not a solution.

Automation is a magnifying glass. It doesn't create change, but merely amplifies your current financial habits. You know what you get when you apply a magnifying glass to your financial problems?

A larger, more distorted financial problem.

What do most of us do next? We *"set it and forget it."*

We're told to *"automate your finances... so you can spend time doing what truly matters."* **Whoo-hoo!** We change the settings in our online banking profiles, optimize our annual credit card rewards with the two latest promotions, and auto-draft all of our regular bills.

Having finally mastered our financial woes, were off to do what truly matters with our newfound time.

What seems to be great progress and actions, ends up just being a couple laps in a really big circle. The problem looms in the background, unresolved.

Complexity begets more complexity, until the inevitable melt down.

People bury themselves in just this sort of situation all the time. I'm not talking about those in *true* poverty. They could care less about how many financial accounts they need or which credit card offers the most back on gasoline purchases.

Instead, I'm talking about those of us (Courtney and myself included), whom at one point or another became financially desensitized. Sadly, this isn't an exclusive club.

It's easier than ever to detach ourselves from our finances and push our problems another twelve months down the road. It's so easy, many have turned it into a permanent lifestyle.

Unautomation is...

...the *process* of re-attaching and re-sensitizing ourselves to our financial lives.

...the *art* of peeling away the excess and attacking the underlying problem.

...the *exercise* of designing your financial life without the assumptions that feed our consumerist society.

...the *realization* that car payments may not be a fact of life and that mortgages don't have to last 30 years.

But before we dive any further into the core principles of *Unautomation*, I want to share our own story with you:

Our financial story...

Courtney and I were perfect examples of the traditional American life path.

Four years ago, Courtney was finishing up her teaching degree and I had just launched my own fledgling Real Estate business. We had two financial lives that, had you asked us at the time, were *"doing just fine."*

Now, four years later, I understand the *"just fine"* was code for *"I haven't missed a payment."* We had both found a way to juggle our ever-increasing monthly payments on our limited incomes. For us, that was just fine.

The 18 months that followed were... *interesting*. Courtney accepted my proposal, we married within the year, and pregnancy came knocking a few months after the wedding.

Dazed, married, and pregnant, we had just come down with a hardcore case of house fever, car fever, and just about any other consumerist fever you can imagine.

We had managed to collect two car loans, several credit cards, a line of credit at the jewelry store, a loan from parents, and over $50,000 in student loans. The total damage was **just over $80,000** in non-mortgage debt, throughout the various loans.

We knew the next step well: buy a house and fill it in with a bunch of crap. And *yes*, we were looking.

Luckily, a life event jolted our system and made us reevaluate our priorities. A month after celebrating our one year anniversary, our daughter Milligan was born. During the pregnancy we began to give our financial situation a closer look, but things didn't really sink in until we brought her back home.

Looking back, I guess we were willing to be risky when it was just the two of us. We were willing to bet on our success down the road to pick up the bill of our lifestyle desires now. Fortunately, though, we realized **we weren't willing to wager *Milligan's* future.**

We finally came to terms with just how limiting our debt made our lives. How much it weighed on our freedom. **We made the decision right then and there to take back control over our life.**

At first, we struggled with the basics of budgeting, tracking spending, and curbing our impulses. But we quickly found that the more we simplified our financial life, the more empowered we became.

Our growing momentum yielded the decision to take an even bolder step... we decided that over the next year we would sell nearly everything we own, attack our debt even harder, and venture off to experience life abroad.

We continued to simplify and find ways to increase our consciousness towards our financial situation. We must have tested dozens of tips and techniques. We locked on to the ones we loved and ditched the ones that didn't work for us.

Before we knew it (a little over a year later) we had paid off the *$18,000* of our debt that was non-student loans and had saved up over *$17,000* in cash savings.

With our monthly debt payments drastically slashed and our possessions able to fit into our backpacks, we set off for Australia. We've had a lot of up and downs in the past year (you can read about them on the blog), but we are committed to carving out a new lifestyle and finishing off our student loans.

Our focus has shifted onto generating income from pursuits that we are truly passionate about. With our finances finally simplified and manageable, we are trying to focus on *actually* doing what we love.

We've got a long road ahead, but we are excited!

And, no, not every segment of our finances is completely void of automation. But we have decided to keep much of our financial life *Unautomated*. For us, the process is both addicting and powerful. We love it!

The core principles of Unautomation...

Unautomation is built on three core principles:

- **Consciousness** - The ability to earn, spend, and save deliberately. Ensuring that the primary influence over your money is... *you*.
- **Sustainability** - Rejecting consumerism, bucking lifestyle inflation, and ditching clutter. The ability to adopt financial habits that are healthy and sustainable.
- **Focus** - Ditching the *"you have to do everything"* mentality. The ability to prioritize your financial goals and passionately attack them one by one.

CONSCIOUSNESS
SUSTAINABILITY
+ FOCUS

= simplicity

Here's the gist: *The more you simplify your financial life, the easier it is to take back control.*

Taking control over our finances is ultimately what we all want. We want to dictate the pace. We want to shatter the typical stress that we normally attach to our money. We want to leverage our finances to empower our dreams and passions, not squelch them.

The three core principles above encourage simplicity. In fact, you could say they *force* simplicity. They help us become intimate with the underlying issues and not just juggle the symptoms.

Unautomation is refreshing. It's compelling... addicting, even. But most importantly... ***it works!*** It's worked for us and I have faith it can work for you, too.

Section 1: The Unautomation Theory

Let's be honest, in our current society dealing with money is necessary. For most of us, finances play a major role in our lives.

At the same time, I'm certainly not advocating obsessing about money. We all know that won't lead to fulfillment.

While you don't want to make finances the priority in your life, you do need to make them a priority in your life.

And that's what Section 1 is all about. It's about prioritizing your finances. It's about simplifying through the core principles of Consciousness, Sustainability, and Focus.

Chapter 1: Mastery Through Simplicity

The more you simplify your financial life...

...the easier it is to take back control.

That's an important principle. However, our definition of *simplicity* has become cloudy. Many times we associate it with the quickest option... or the path of least resistance. It's neither.

Webster defines simplicity as *"the state of being simple, uncomplicated, or uncompounded."* Closer. But, to me, simplicity is much more than just an end state.

Rather, simplicity is ruthlessly extracting anything in your life that stands between you and your passions...

Simplicity is a journey to increase intimacy.

Becoming intimate with our underlying issues begins by peeling off the excess layers of financial clutter in our lives.

The typical financial snapshot...

"Everything should be made as simple as possible, but not simpler." -Albert Einstein

Given the typical financial snapshot, it's no wonder many are losing the fight these days.

An average person can easily approach a dozen financial accounts for various purposes: an assortment of credit cards, a couple college funds, a 401k, a Roth IRA, an HSA, joint checking accounts, individual checking accounts, a CD at the brick-and-mortar bank, and a fancy new high-interest online savings account (or two... since XYZ bank recently offered a promotion with a .25% higher interest rate).

You need a 4-year accounting degree just to keep the account numbers and names straight. Don't laugh, I've heard countless stories that contain, *"Oh yeah, I forgot I even had an account there..."*

Each of us is going to have a different tipping point where the "foundation" ends and the "excessive" begins. Some life situations *do* require us to have various accounts. But many of us have unnecessary accounts we can simplify, consolidate, or eliminate in our financial lives.

Remember, focus on increasing mastery. The goal is to go from, *"Ugh, I can't keep up with this!"* to, *"Huh... this* *isn't as hard as I thought. I can do this!"*

Make the most of newly acquired traction...

"A mighty flame followeth a tiny spark."
-Dante

Gaining a firm grip on our newly-simplified financial situation unlocks all sorts of benefits down the road.

For example, you could even reintroduce small amounts of complexity *back into* your finances. Think of it as if you are "making room" for complexity that you actually want. You may have heard of the phrase conscious spending... what about *conscious complexity*!

Home ownership, for example, adds a ton of complexity to our financial lives. But this may, in some situations, be beneficial once you have a firm grip on finances.

Rushing into a home while your financial lives are still untamed and full of clutter, however, is like throwing a can of gasoline into a raging bonfire. It seems like a cool idea at the time, but someone almost always gets burnt.

Another benefit of increasing mastery is that, over time, the habit we are mastering becomes easier and easier to maintain at it's current level. It takes considerably less time, energy, and stress to stay in control, rather than to gain that control initially.

What Billy Joel can teach us about money...

"I am, as I've said, merely competent. But in an age of incompetence, that makes me extraordinary."
- Billy Joel

Take the example of a professional musician. Sure they've worked insanely hard to gain their level of mastery. Most have specialized (let's assume piano) along the way to make this journey a bit easier. If they so desired, they now could maintain their mastery with just a fraction of the routine practice it took to acquire the skills.

But what if instead of only learning to play the piano, our sample musician decides to make it more complex. While still learning basic scales, he realizes that knowing how to build a piano from scratch may mean he could play ever better! He enrolls in basic woodworking classes, studies which type of wire stays in tune the longest, and even dabbles in keyboard sales at the local music store.

...But our hero isn't done yet! His piano playing would be taken to new heights if he could sing along! After all, Billy Joel sings. So he hires a voice coach and studies the anatomy of the vocal chords, the throat, and the dia-

phragm.

He loves his anatomy class so much he enrolls in medical school at the local university... after all, in 6 years he can use the extra income to *buy more piano lessons!*

Alright, I got a little crazy there. But many of us are doing just this sort of thing in our financial lives. We are trying to improve our piano playing skills by attending medical school.

Here's a newsflash: *Most doctors suck at the piano.*

Instead of spending 6-years (or more) getting your financial PhD, why not just... you know... sit down at the piano and practice your scales?

Alright, so screw Billy Joel, I'm more of a Ray Charles fan anyway. Let's talk flexibility...

Becoming a financial chameleon...

"If you want to hear God laugh... tell him your plans." -Proverb

The last benefit of simplicity is *increased flexibility.* We can plan until we are blue in the face, but none of us can anticipate everything. **Sh-tuff happens.** Life happens. The ability to adapt is essential in all aspects of our lives. Finances are no exception.

You get laid off... a close family member falls ill... an unexpected pregnancy... heck, even an unexpected *marriage!* It's during the times when life smacks you across the face (whether your own fault or not) that you'll be most thankful for taking the steps to increase simplicity.

When life deals these blows, the accompanying financial issues often weigh down your recovery by piling on extra stress. But a simplified approach to finances can actually reverse this effect. It can be a proverbial trampoline for those times we get knocked down.

A financial trampoline... *wouldn't that be fun?* It's actually easier than you think to create. It'll require a deeper glimpse at the three core principles of Unautomation we discussed earlier. Over the next three chapters, that's exactly what we'll take!

Chapter 2: Sustainable Finances

Consumerism... It's both a vibrant blessing and a nasty curse.

Consumerism is not the devil (neither is *foosball*). You won't hear me preaching on abandoning money and backpacking into the Alaskan wilderness to protest society.

Consumerism has a tremendous list of benefits (including unparalleled levels of economic freedom). But like automation, it's not hard to look around and see how addicted we've become.

As a culture, we've not only fallen from the top of the crazy tree, but we've hit every branch on the way down. **We're living in upside-down homes, driving upside-down cars,** and now even watching upside-down t.v.'s on upside-down couches.

Our lives are leveraged, borrowed, and financed to the max. What was excessive five years ago is standard today. We've been given more freedom than any people in the history of the world, and we're selling it back one monthly payment at a time.

We're dominated by huge corporations and even larger governments, many bloated to the point they can no longer be salvaged (as we've seen first-hand in the last two years). I'll leave what to do on a macro level up to the "professionals" in Washington.

On a micro level, though... on the personal front... I know that solution. Unfortunately, it's not as sexy as you might hope:

Spend less than you earn...

"Without frugality none can be rich, and with it very few would be poor." -Samuel Johnson

Screw the 80/20 principle. This is at least *90%* of personal finance, not to mention the very essence of sustainability.

Fitting the entire definition of personal finance into five words is the easy part. The hard part is actually doing it, consistently, over a long period of time. In other words... making it a habit.

There's no reason why such a simple principle, should be so difficult to adopt in our lives. I'm not judging, either... *I'm reflecting*. Courtney and I've struggled with this, too.

For us, the battle came down to our interpretation of "needs" and "wants." Most can agree that categories, such as Food, Shelter, Clothing, and Transport are needs. These are fairly universal, at least in the Westernized countries we've lived in.

The problem, however, is that our definition of what we "need" in each of these basic categories often bleeds into what we "want" in each.

Let me give you an example... Very recently, Courtney and I were looking for short-term rentals. After over a year living out of 1-bedroom hotels, hostels, and living rooms, we were ready for a second bedroom. Given Milligan is nearly two, this certainly isn't an unreasonable need.

However, it was amazing how much I internally justified needing a third bedroom to have an office. *"I need a separate work area, so I can be productive." "It'll help me divide work time and non-work time if I have my own space."* On and on.

In my mind, a third bedroom transformed from a nice luxury to an absolute need. As such, we weren't even looking at any 2-bedroom options anymore.

Eventually, I realized the situation for what it was. Turning to Courtney, I said, *"You know, we don't 'need' a third bedroom. Sure, it would be nice and may very well be worth the extra money; but it's silly to not even consider 2-bedrooms. I just 'want' an office."*

This small, but powerful distinction, has been tremendously valuable for Courtney and me. Being able to consciously realize the difference between our needs and wants has been one of the most empowering factors in our financial turn around.

Frankly, I think this skill is the key to fulfillment in all of life. But we'll save that rather deep discussion for another day.

Earn more than you spend...

"My problem lies in reconciling my gross habits with my net income." -Errol Flynn

There's a group of people that really don't like the implication of "spending less than you earn." For them, switching around the focus on earning is much more rewarding.

I get this. I really do. I have nothing against maximizing your income potential and raking in the dough. I love seeing high-income individuals of all types, that are worth every penny they are paid. I plan on building a fantastic income myself over the next few years.

But "earning more than you spend" still has is faults:

1. **Your passion or purpose may not naturally equate to a high income.** The truth is not every "calling" will have unlimited income potential. Depending on yours, you may need to survive on a much smaller income.

2. **No income is immune from the effects of lifestyle inflation.** In fact, one could easily argue that the higher the income, the harder it is to resist lifestyle inflation.

Of course, the latter isn't a reason *not* to maximize your earning potential. My point is that you can't outrun a bad foundation of financial habits with a massive income.

Maybe you've heard of some of these names:

- Gary Coleman
- Meat Loaf
- MC Hammer
- Willie Nelson
- Mike Tyson

These are just a few of countless public examples of bad financial habits catching up to extraordinary incomes.

But we don't have to look at pop culture to see this trend. We can see plenty of examples down the street, across the Thanksgiving table, and beside us at work. **The upside-down lifestyle is rampant in collars of all colors.**

This is because, no matter what the income, we all have insecurities. We all have to cope with them and overcome them. The problem arises when consumerism serves as such an accessible outlet. We can bury our trouble in the accumulation of stuff or with the mirage of a happy and successful life.

Some people are doing anything they can not to feel broke. Others are trying to fit in, show off, or one up their competition.

But as a culture, we've got to find better ways to overcome these insecurities. Relying on consumption for temporary relief is unsustainable and destructive.

Reverse the flow of consumerism...

"The things you own end up owning you."
-Tyler Durden

The consumerist culture we live in yields a certain amount of inevitable temptations and influences. In order to really accomplish our goals, most of us have to do more than just stand our ground. ***We need to push back.***

We can't settle for just breaking even with our clutter. We need a "the best defense is a good offense" spirit.

Our own journey to attack our clutter (both physical and mental) proceeded in this order:

1. Become aware of how much crap we have.
2. Realize the weight of the attached burden.
3. Purge all the excess.
4. Install barriers to prevent a clutter relapse.

But let's do more than just *talk* about these things. Let's get into action...

Core Action Steps | Ditch the Clutter!

- **Create a list of every single item you own.** This was one of the most impactful exercises we've ever done in our financial life. So much so, we've decided to regularly update our list to stay on the offensive. If you are overwhelmed, simply start with one room. Do your bedroom, the office, or the kitchen. One room at a time, open your eyes to just how much stuff you really have accumulated.
- **Calculate the upkeep of your list.** You can do this literally or just figuratively. Think about your list and how much of a burden it really is. How much of it was financed? At what rate? How much extra storage does it all take? Is your house larger than needed to store it all? What about your car? Does it break down? How much cash could you get for it? Feel the burden.
- **Sell 50% of the list immediately.** Whether you just did one room or your entire possessions, look at the list and immediately circle half of the items to purge. Sell whatever you can via both online (Ebay, Craigslist, Amazon) and offline (garage sales, thrift shops, family/friends). If it's not worth selling, donate it to charity.
- **Use a 30-day list for wants.** Once you've purged a huge chunk of your list to get started, you'll want to install some barriers to any future impulse additions. A 30-day List simply means recording any "want" in your life to a tangible list. If after a 30-day wait you still want or "need" the item, you can immediately add it to the budget. In our life, this simple exercise eliminated 4 out of every 5 non-budgeted purchases. It cools any temporary buying fevers we may have.

- **Purge 2 items in your life for every 1 you bring into it.** Lastly, even if you still decide to make the purchase after 30 days (nothing wrong with that), install the habit of looking for items to sell/donate every time you add one. This will keep you on your toes and sound the alarm on any sneaky clutter that begins to creep in.

While I've spent some time talking about physical clutter, I should note that it's obviously possible to spend frivolously on experiences, too (Courtney and I are especially vulnerable to this).

You don't get a blank check just because an expense doesn't add to your material life. At the same time, when given the choice, we will almost always choose to **spend money on experiences over possessions.** Contrary to popular belief, they last longer.

Chapter 3: The Power of Focus

You don't have to do everything.

"Stop carrying credit card debt. Pay it off immediately."

"...well soon anyhow... now is the time to pad your savings with a year's worth of expenses. Who knows what this economy will do next?"

"...but whatever you do, don't stop your retirement contributions... you'll miss the market's big rebound."

"...and don't forget about your children. You don't want them to miss out on college, because you were negligent in saving..."

"...you really should keep supporting the church, sponsoring a child overseas, and giving to disaster relief."

You do not have to do everything... especially right this second.

This sort of thing always ruffles some feathers. It pulls the nerds and number-crunchers out of the personal finance woodwork. It frustrates the people who plot their life and their finances as if it was brain surgery.

If you offered them a loan at 6% interest and they had the opportunity to invest it at an average of 7% interest, their next question would be, *"How much can I borrow?!?"*

For them, the math is the bottom-line. The math dictates the sanity of a personal finance decision. They'll use whichever credit card gives the most lucrative rewards or shop at the store with the cheapest prices.

I'll be honest, some of the people in this group are the most effective people I know. They get fantastic results. In our life, though, this sort of approach was all show. It was shiny and sounded good, but didn't result in lasting change.

It made our financial life dreary... like a chore that had to be done before we could go outside and play.

And while a segment of the population can swing it, I don't believe it's effective for the majority of people. I wouldn't recommend it to my family or my best friend, so you won't hear much on it here.

If you can remove 100% of the emotion out of personal finance... go for it. It's likely the best route for you. But, for most, personal finance is... personal. Emotions play an essential role in our spending, our work, our savings, and our giving.

That's not something to be ashamed of. Rather than attempt to remove emotions, Courtney and I strive to do our best to understand them. Once we accomplish that, we leverage them to further empower our financial goals (including conscious spending).

And, being empowered is fun! We actually want to be involved in our finances, now.

You see, there is a second school of thought, which emphasizes the power of focusing on a single goal with all your energy and passion. They profess that intensity and commitment increase the probability that we succeed in our financial goals.

We've explored both, and we're now card-carrying members of the latter school. Mathematically, I'll take the choice that results in the highest percentage chance I *actually* succeed. This is rarely the method which yields the best result in a perfect world.

I don't know the details of your financial life. I'm not saying you should stop funding your retirement in order to speed up your debt repayments. That may or may not be the best option, based on a variety of factors.

What I am doing is challenging the assumption that you need to attack your debt, while funding retirement, while saving for college, while building your emergency fund, while cutting your housing costs, while learning to budget, while... *it's exhausting just typing this crap.*

I have a hard time believing fighting a war on 5-6 fronts is the best strategy. I'm no historian, but I can't recall a time in history where that's worked out well!

Chunk excitement into bite-size pieces...

"Decide what you want, decide what you are willing to exchange for it. Establish your priorities and go to work." -H.L. Hunt

In addition to tapping into the power of focus for our larger financial goals, we can use the same principles to shatter many of the smaller financial hurdles in our life.

We've all been there before...

Something sparks a bit of excitement or determination. Some times we're moving away from a painful experience... we have finally had enough of our credit card debt. Other times we're moving towards pleasurable ones... we resolve to save for our child's college or spend a year traveling the world.

We get fired up. The blood starts flowing and the energy pours in. **Bring it on!** *"King Kong ain't got nothin' on us!"*

And this passion and motivation is great! We *should* be taking full advantage of it!

Usually though, burn-out quickly sets in. Why? **We try to do too much.** Like the example of larger financial goals, we simply don't feed it with enough successes to maintain momentum.

Imagine crumpling up a sheet of paper and lighting it on fire. Initially, it takes a second or two for the paper to fully ignite and start spreading. Once it does, there's a short time where the flame grows 10x in size and strength. But this, too, is fleeting, as the flame quickly shrinks down to a charred glow.

Think for a second... what would happen if right after lighting the wad of paper, we threw it directly under a nice big log? The paper would shoot up the same flame, possibly big enough to wrap around the sides of the log! But, once again, it would only last for a couple seconds.

Next we might throw on some smaller branches, even as small as the width of a finger or a thumb. But we realize the end result will remain the same. If you're lucky we may blacken a few of the branches, but we wouldn't end up with much more than smoke.

In order to actually start a fire we're going to need something even smaller... *twigs...* and lots of them. The smallest possible diameter that we can find. When we chunk down this far, it'll ignite after mere seconds of touching the flaming paper.

Once the twigs are going strong, we can throw on the branches without worry. The fire will just continue to build. At this point, not even adding a log will slow it down. Just the opposite... **a flash in the pan will quickly build into a raging bonfire.**

Yet, we are resistant to use this same model to get the momentum going in our financial lives. Why? Because a piece of software or a guy in a suit tells us that with enough gasoline we can skip the twigs altogether!

They may be right, however, I'll never know for sure. The gasoline cans in my life are staying in the trunk of the car.

Hairspray and a lighter may work too, but a pile of twigs do a better job of keeping me out of the financial hospital.

Chunk it down even further...

"Even the smallest victory is never to be taken for granted. Each victory must be applauded..."
-Audre Lorde

In addition to focusing on only one major financial goal at a time, there's huge benefit in **chunking down this individual goal into even smaller segments.**

Let's assume you've chosen to focus your energy on paying off your credit card debt once and for all. You're fired up and willing to put several of your secondary goals on the back burner to help fuel your success. But what if you have $10,000... $15,000... or even $50,000 in credit card debt? You're gonna need to chunk it down into winnable sections.

Benefits of chunking down:

- **Better Defined.** The smaller the goal, the easier you can define it. You may have heard of specific goals. Same concept. Chunking down makes it easy to be crystal clear!
- **More Tangible.** I could leave you very defined instructions for how to perform a heart transplant, yet you would still struggle to envision doing it. But smaller, well-defined goals have the benefit of instant tangibility. You can literally close your eyes and see them happening.
- **Encourages "Embedding".** Embedding (for me) is the process of morphing a goal or idea into a concept you can really attach yourself to. You know when people say, "I'm a people person, that's just who I am." That's embedding. Courtney and I embedded the concept of having a $1000 emergency fund. It's now part of "who we are" in our finances. It's second nature.
- **Easier to Succeed.** By nature, it's easier to complete a smaller goal than to finish a larger version of the same difficulty level.
- **More Celebrations.** Celebrating wins is awesome! Each time, our batteries are recharged slightly for the next milestone. If you have $10,000 in debt, I'd much rather celebrate the first $500, then $1000, then $2500, then $5000... Thing is, you still get to celebrate the big one at the end!
- **Pattern of Success.** Each time we celebrate, we are forced to focus back on our strengths. Keeping a positive mindset (and continually adjusting our focus onto what we've proven we can do) is of enormous benefit.
- **Fosters Momentum.** Our history of success and our frequent celebrations feed off each other to build some serious momentum. Each time we stall, we get motivation from our former wins and each new celebration fuels the start of the next segment. Once we get rolling... get out of the way!

Instead of using early momentum to attack multiple goals, we can channel it to ***really annihilate one goal... and then another... and then another!***

Core Action Steps | Maintain Focus!

- **Purge subscriptions.** Subscriptions, even the small ones, can really sneak up on you. And free subscriptions aren't really free, especially if they add to your clutter. Start from scratch and really ask yourself if you're still getting any benefit out of them. Purge!

- **Don't loan money to family & friends.** Courtney and I don't loan money to people we love. If someone close to us is struggling, money is very, very rarely the solution. We'll help with food, shelter, and support... but not money. A loan has the power to instantly change a relationship, rarely for the better. In any rare circumstance we do give money, it's just that... a gift.

- **Focused giving/charity.** Rather than attempt to give a small amount to every source in need, Courtney and I try to focus our giving. Focusing in on one or two causes helps us feel like we are making more of an impact. Concentrating our giving also prevents us from the guilty feeling that we need to try and help every single cause. We can't help everyone, but if we dig in deep, we can really make a difference with one project.

- **Simplifying Income sources.** Diversifying your income does not mean that you need 5 sources of income in your life. The whole "multiple streams of income" concept was a late-night fad. Instead of spreading ourselves thin, we now try to have 1 primary income and 1 side income project. Once you have your one focus, you can diversify down inside of it. There's nothing wrong with a balanced investment portfolio, or acquiring a wider base of clients within your niche. Just be careful of chasing 4 separate careers at once (I'm talking from experience).

- **Support Conscious Spending.** Spend your money on crap that you are passionate about. Seriously, this is a huge part of focus. Unautomation isn't about deprivation. You need to be spending on the type of causes and hobbies you'd take a bullet for. Find your passions and feed them. Of course you need some limits, but the limits need to be higher than zero dollars. Starving yourself of healthy spending is a surefire way to blur your focus and kill your momentum.

Chapter 4: Financial Consciousness

Open your eyes.

In my short life, I've noticed two things about life in general:

1. When asked, most of us think we have high levels of awareness in any specific situation.
2. Most of us are wrong.

You see, there is almost always room to grow in our awareness. Most of the time we think our eyes are wide open, they are only slightly cracked.

We tell ourselves we are aware of our finances... aware in our marriages... and aware of our friends' struggles. We are aware of other cultures and aware of other people's feeling when we communicate.

But we *aren't...*

Most of us find ways to settle. We find ways to get by. Coast on whatever limited view is minimally required. We don't exert the effort to fully increase our consciousness in our finances, marriage, or friendships.

This is human nature.

Our brains are fascinating and powerful machines. Every day, we are bombarded with over a billion tiny fragments of information to process. There's no way we can be conscious of everything 100% of the time!

And it's a good thing, too. I have problems finding my keys, let alone remembering to breathe or having to concentrate firmly on each step as I walk.

Even before birth, our brain is constantly installing filters. Without building up an amazing set of filters, we'd go insane within seconds of processing all these tiny fragments and functions.

Unfortunately, there's a downside to this miracle. From a young age, we have the responsibility of conditioning our brains what not to filter. We've been assigned the impossible task of reminding our brains, *"Hey, stop... I want to notice, observe, or think about this."*

Take for example the feeling you get when you notice someone looking at you. Most of us have conditioned our brains to alert us when someone is watching us.

We want to look up and make eye contact. *"Why's this person looking at me?"… "Do I look funny?"… "Are they hitting on me?"*

Socially, for whatever reason, we'd like to know the answer to this question. We'd like to know it bad enough that we've trained our subconscious to bring it into our conscious.

This filtering process is the exact same in our financial lives. The trick is understanding the system and ensuring that you control the filters (not advertisers or the neighbor down the street).

Sometimes we need a rather large kick in the butt to realize how limited our view really is. We need a financial self-intervention.

Core Action Steps | Self-Intervention!

- **Calculate how much your debt costs you.** This is a simple, but high-impact exercise. Make a list of the balance for all your debts (you can estimate). Record the approximate interest rates (look them up if you don't know) beside them. Multiply each balance by its interest rate to get the yearly interest you pay. Add them all up and see how much your lifestyle is costing you every year just in interest. That's not even counting what you actually bought!

- **Track your spending for 30 Days.** We'll be spending much more time on this in Section 3 (look for the "Hand-to-Hand Combat Challenge"). Whatever method you use, honestly recording every purchase you make for 30-days will reveal some surprising habits. In every case I've heard, the level of awareness has skyrocketed after the 30 days.

- **Calculate your Real Hourly Wage.** This is one of my favorite personal finance concepts in the book Your Money or Your Life (read it). The basic concept is that you examine the "sneaky" expenses that are associated with your work. They could be transportation costs, supplies, make-up, or even stress-induced illness. In addition, you figure out all the extra time you spend. Time driving to/from, working extra on weekends, and even time winding down in front of the t.v. (from stress at work). Subtract the extra expenses from your income and then divide the remaining total by ALL hours (the ones at work and the sneaky hours on related tasks). You may be shocked at how much money you are actually bringing home for an hour of your time.

Each of the three exercises on the previous page have been revolutionizing for Courtney and me in our finances. They've literally altered our life and our future.

Exercises like those are great for showing the big picture. However, it's also helpful to raise our consciousness on smaller, more tangible levels as well.

Core Action Steps | Eyes Wide Open!

- **Sleeve your credit/debit cards.** Create a sleeve or cut a piece of paper that you can wrap around you credit cards and tape. On the outside, write a saying or draw a picture that will instantly remind you of your goals: "Travel to Paris" or "Down payment for dream home". If you have kids, you can even glue a picture to the outside of the sleeve. Every time you reach to make a purchase, you'll be exposed to your goals and will have time to re think any impulses that conflict with them!

- **No Spend Days.** The name says it all. It's just nominating certain days "No Spend Days." You go the entire day without making a purchase. It causes you to plan ahead and forces you to be resourceful rather than resorting to spending. It's especially useful for people who tend to make many small, miscellaneous purchases throughout the day. Try putting them together in blocks. No spend week, anyone?

- **Quit signing contracts.** We love our contracts. Cell phones, gym memberships, and rental leases... stop signing this crap. Negotiate, pay in advance, or explore alternatives. Sure we still have a couple contracts in our life, but we've adapted this principle with great success in the last year. Only sign contracts on the most essential needs in your life. Almost everything else has plenty of other options.

- **Test Credit, Debit, & Cash.** I used to assume that the type of spending method didn't have any effect on how much I spent. I assumed I could count pennies or swipe my credit card and it would be the same mentally. I was wrong. With credit I asked myself if I could pay it off later. With debit I asked myself if I had it in my account now. With cash I literally looked in the envelope and said, "Oh crap, I only have $42 left for Food this month!!!" Don't assume. Test different methods of spending and see for yourself.

Get into "The Zone"...

"There were probably about five games in my career where everything was moving in slow motion... and you could be out there all day, totally in the zone." -Lawrence Taylor

In sports there's a common concept referred to as being in "the zone." The greats in any sports excel at entering this peak state. How many games did Michael Jordan completely take over the 4th quarter?... How many times did Brett Favre win with 2 minutes left and down by 4 points?...

Their ability to function in peak state, especially at critical times, took them from just another highly-skilled player to sporting legends.

After high school, most of us will only see these sporting situations from our stadium seats or in our living rooms. But we can still tap into this principle in our financial lives.

Core Action Steps | Get into 'The Zone'

- **Batch "everyday" purchases to once per week.** We all have expenses that appear on a frequent basis. Laundry, grocery shopping, eating out, renting movies... batch these reoccurring expenses to once per week. Even if you can't carry out the expense that day, allocate the money for the week. This will help prevent you from "nickel and diming" yourself throughout the week.

- **Batch monthly bills to once per month.** The same principle can be applied to your monthly bills. Using the simple budgeting method we'll explore in Section 3, you could batch pay all your bills to once a month! Most vendors and bills will allow you to move your due date if you ask. In worst case scenario, you'll be sending money a week or two ahead of the due date. I don't think you'll have many complaints!

- **Attack large purchases with a wingman (or wingwoman).** When it's time to make a large purchase in your life... a house, car, or large appliance... make sure to bring backup. These kind of situations can be extra emotional. It's not hard to get buying fever or to feel overwhelmed. Your trusty and unbiased wingman will have the responsibility of keeping you grounded and squelching the fevers as they start to set in!

Every time we automate a process in our lives, we give away a piece of consciousness.

We're trading fragments of consciousness in exchange for fragments of convenience.

There are plenty of situations where this is beneficial and desirable. I don't mind that my wife's employer automatically takes out a portion of taxes or that the remaining amount is direct deposited into our checking account.

However, we have to understand that this trade off doesn't fix anything. It doesn't solve our problems, it simply *buries* them.

What if every time we order a subscription, we "optimize" it by setting it to auto draft from our account? Sure maybe 30 days from now, we'll still be enjoying our new cable channels. But what about 60... 90... 365 days away.

After the puppy love of the first two months wears off, it might actually be good for us to look over that bill.

We're "automatizing" pieces of our finances while the buzz of a recent purchase is still alive and well. *This is the worst possible time to be trading out our consciousness on a monthly basis!*

Automating good financial habits and sound decisions is empowering. But with a misconceived view of what automation really does and a fuzzy state of consciousness, we often end up automating habits and decisions that are mediocre... or worse.

This is not a trade off that ends in our favor...

Chapter 5: Why Bad Automation is Bad

In the wise words of Warren Buffet:

"Of the billionaires I have known, money just brings out the basic traits in them. If they were jerks before they had money, they are simply jerks with a billion dollars."

Automation, like Warren's observation on money in general, is an amplifier. It simply amplifies the underlying habits that you've... well... decided to automate!

The problem is when we act like automation, itself, is some sort of sexy solution to our financial woes. There's no sex appeal in concentrating our energy at creating change in our daily habits. It's so much easier to bury those habits in a sea of systems, spreadsheets, and automatic transfers.

Ignoring the underlying issues will come back to bite us in the butt. In the long run, the sexy solution almost always ends in regret. Instead of seeking the most impulsive solutions, maybe we should start looking for one with great core values.

You know, a financial approach we want to marry and not just... you get the point.

Sure, automation has its benefits. One of the largest is it keeps us from constantly second guessing our good habits. It makes them hard to change and pushes them to the back of our mind. That's awesome.

But what if we never guessed our habits in the first place. What if we set up our retirement accounts 4 years ago at a drastically different point in our lives. What if we set our cable bill to be automatically deducted, but have been overpaying for the last year and a half for services we don't use.

What about that gym membership from 2008? Or withholding too much from our paychecks for taxes every year, because it's taken out automatically. *You really want to loan this government money, interest free?*

Studies have shown time and time again that the more convenient the method of payment, the more people end up spending. ***I know... I know...*** **you are different.**

Thing is, the majority of people think they are different, too. Anytime the majority of people think they are above average... well, we have an amusing situation, at best.

The same principles that work in our favor when we automate good habits, work against us when we hastily apply them to our negative ones.

Automation makes our bad habits harder to change by pushing them to the back of our minds.

Not only that, but it encourages us to defer responsibility. Now we can blame "the system" if something goes wrong. We customize our spreadsheets a little more, change money management software, open up another credit card, and switch checking accounts to get a better interest rate.

Now we are ready to win!... **awkward silence**

The truth is, automation in our lives is only beneficial after we've:

- Cleared out the negative habits that clutter our financial lives.
- Ensured that any remaining habits are positive and sustainable.

If we are able to do this first, the same principles that make bad automation bad, make good automation great. Once we've consciously adopted a simple, sustainable financial habit, we want to disconnect ourselves from it. This prevents us from always chasing the "greener grass" on the other side of the fence.

Once we've cleared the financial clutter in our lives... once we've become intimate with our financial dreams, "deferring the responsibility" enables us to focus our energy on aligning our work, our passions, and our purpose.

So how do we attack this? How can we tap into the awesome power of automation, without sacrificing consciousness, sustainability, or focus?

Funny you should ask...

Section 2: The Science of Unautomation

In "The Science of Unautomation" we'll be taking the core principles we've just discussed and brainstorm how we can apply them to our current lives.

But we won't stop there. Next, we'll take massive, concentrated action. Because the point of any theory or any design is to stimulate action.

Your success or failure in creating an empowering financial life will come down to whether or not you can convert knowledge into actually doing something.

For the next little bit, that's what we'll focus on. We're going to shift from thinking to doing.

Whatever happens, promise me you'll do something with this section. Go through the exercises. Create the lists.

If you bear with me, it'll pay off. This process revolutionized how Courtney and I viewed our finances and our life.

Let's get down to business...

Chapter 1: Design Your 'Unautomated' Life

I'm going to ask you to make a leap of faith.

For the next ten minutes, I want you to open your mind and reject any preconceived notions you may have.

You see, we trap ourselves. We find a way to get by... a way to survive... and we immediately put up imaginary walls.

Once we get a base amount of financial comfort, we naturally resist change. Living with these imaginary walls helps us maintain mediocrity. It helps prevent us from slipping back into uncomfortable places.

But these walls also block our vision of what is really possible. **They restrict our ability to be extraordinary.**

I want you to take a chance. I want you to step outside the walls in your life and give me a clean, blank slate.

This isn't a joke. Really do it.

Got your mental blank slate? Good. Now, you need an actual slate. An unlined piece of paper works the best.

As you stare at the blank page, I want you to dream. Dream about your financial life. Here's the kicker, though.

Dream in the present tense.

That's right. Ignore the distant future.

Don't dream about retirement in 20 years, or some passive income stream that'll let you travel the world for the rest of your life. While we are at it, don't let your past poison this exercise, either.

We are looking for what potential you have now. We're going to dig up changes you can make today... this week... the next couple of months.

You'll have plenty of time to daydream and set life goals for the distant future. For now, put the dream homes, the all-expenses-paid vacations, the sports cars, and running a billion dollar corporation on the shelf.

You can have all these things in the future if you want. But the science of *Unautomation* lies here in the present.

Second rule....

Don't automate anything.

Strive for only that which is most essential and most desirable in your life. Focus on what makes you feel empowered, not what's convenient.

Convenience rarely leads to fulfillment.

One last rule, **you can't exceed one piece of paper.**

That's it. Rules are done.

Start spewing onto the piece of paper. Draw pictures, write numbers, scribble down thoughts. It's your experiment. Have the courage to run with it.

Note: *Remember in 8th grade, when your teacher told you not to lift your pencil until the end of the time. Yeah, just like that.*

Start with the large items in your financial life.

What's the potential of your present income?

What skills do you already have that could earn you money on the side?

What job(s) would you take starting today for 50% of the income you are earning now?

What job(s) would you take starting today for free?

Remember, we aren't talking 5, 10, 20 years down the road. **What about now?** Explore options that are here in the present.

Are you desperate to get out from under a house?

Would renting provide you peace-of-mind?

How do you feel about a smaller home with less stuff? Farther out into the country? Downtown, so you can take public transportation?

Do you prefer a community with established bike paths?

Can you ditch the cars altogether? Finally consolidate into one, larger vehicle that fits the whole family?

What about insurance? Get extra for security or grab the minimum and save the difference?

Where will you bank? What type of things will you invest in?

What causes will know they can count on you for financial support?

Do you and your spouse share joint accounts? Or do you each manage separate finances?

Don't worry about any "optimization" as new pieces of your finances start to emerge. Scribble down your reflections.

Now, let's narrow it down a little bit.

What does your "stuff" look like? Does it fit in a backpack? Do you finally have enough room to spread out in a larger apartment?

What do you subscribe to? Mentally and physically? What's so valuable you are willing to pay monthly for it?

On that note, what DO you spend on? What are your hobbies?

What are your core sources of entertainment? Board games? IMAX movies? Ballroom Dancing? Martial arts?

What's worth every penny?

Are you eating out with friends and family more? Are you cooking every meal at home? Buying organic? Have you mastered the art of feeding a family of 6 on $50 a week?

As you start to fill in the smaller parts of your financial life, your paper will likely be filling to capacity.

The first couple of times you do this exercise, you'll probably find that the contents of the paper grow to match your current income levels and life experiences.

That's what happened to Courtney and I. **We had put a psychological floor and ceiling on what was possible.**

We didn't believe it was possible to sell most of our possessions, to pay off our consumer debts, and to travel the world on $15,000-$20,000 dollars a year.

But you know what? *It was.* And it still is.

But even as we were doing that, we still had the imaginary roof. We couldn't imagine what it would be like to make more than $50,000 or $60,000 a year combined.

But now we're realizing our value. Ramping up our income isn't 5, 10, 20 years down the road. There are things we can do this week and this month to grasp our potential. It's not a distant goal, it's a very real possibility for us now if we so choose.

A healthy income isn't everything. However, many of us are leaving tons of money on the table. Not because we are following our passions or purpose, but because we aren't conscious of our inherent value.

Convenience and comfort train us to place the floors and ceilings in our lives, but they aren't really there.

The life we really desire is right under our nose. We've just got to:

- Realize what's possible.
- Get off our asses and go get it.

Let's talk a little bit more about the first...

Shock your system with a scarcity mindset...

"Every man takes the limits of his own field of vision for the limits of the world."
-Arthur Schopenhauer

We've finished with the brainstorming, but we aren't done with the questions.

This one is important...

"If your income was cut in half tomorrow, what would you do to survive?"

Your company goes under. Your spouse loses his or her job. You get sick or injured.

BAM! Your income is 50% its current level. *What now?*

Where could you cut back? What items go first? Stretch yourself.

Next, how would you replace the income?

What survival job would you take? Would you liquidate any possessions? Expand a side business?

Does the income even need to be replaced?

If you had to generate money starting tomorrow, without compromising your values, what would be the first thing you do? Who's the first person you'd ask for advice?

Compare these thoughts to the exercise we just did (you did do the exercise, right?). **Is there anything on your one-page Unautomated sheet that you now feel is unnecessary?**

Many times adopting a scarcity mindset can open the door to many concepts we weren't aware existed. It can help us realize the difference between needs and wants. It's an amazingly helpful concept for entrepreneurs and small business people, as well.

This is what sparked Courtney and I to realize how little was essential when we were cutting back. I use it weekly now to brainstorm the next step for generating income in my business.

Isolate the next step...

"Do you want to know who you are? Don't ask. Act! Action will delineate and define you." -Thomas Jefferson

Alright, so we've done some dreaming and shocking, but it's all pointless unless we can convert it into action.

We need to answer the one final question...

What's the literal next step?

Compare your one-page brainstorming sheet to the elements of your current financial life.

Inevitably, you're going to run into things that are in your current financial life that aren't listed in your ideal. This means one of two things:

1. It's an important and valuable aspect you forgot. **Add it.**
2. It's not an essential or necessary part of your life. **Destroy it.**

You may also have differences that are included in your *Unautomated* brainstorming that aren't currently in your life.

For both types of differences... for each fragment that's not aligned... ask yourself, *"What's my literal next step?"*

If you're in the process of house shopping, but realize you aren't ready for the added complexity, responsibility, and financial commitment... your next step may be to research the local rental market to get more information.

If you're desperate to have joint finances with your spouse... the next step may be to schedule a concrete time to review things with them.

If you've decided that you need to drop the 20% of your clients that are taking up 80% of your time... your next step may be able to inform them (nicely) that they're booted starting next month.

Doubling your retirement contributions?... Temporarily halting retirement to pay down debt?... Schedule a meeting with HR department.

Canceling your cable (no not internet... never cancel the internet)?... *LOOK UP THE NUMBER FOR COMCAST!*

You get the point.

Don't worry if your list of action steps start to get long. Just try to make it as honest and complete as possible.

We're about to fix the length issue...

Chapter 2: Drop a Bomb on Your Finances!

It's go time.

The gates have raised. The gladiators have entered the ring.

Standing between you and your goal is a list of actions.

Let's blow the crap out of it!

Quickly scan your list for any items that just pop off the page. You're looking for quick, easy steps you can knock off in less than 15 minutes.

Don't worry about the big, hairy ones. Skip 'em. Find the low hanging fruit. Hunt down the weak ones.

As soon as you see one... DO IT!

DO IT NOW!

Drop everything and take that next step. Sure, there may be more steps down the road. That's fine. Run with this one action item until you tire.

Then scan the list again. Isolate a weak link and...

DO IT NOW!

Pow... Next... Pow... Next... Line them up and knock them down.

You aren't creating a budget. You aren't selling your house. You aren't leaving tomorrow for Spain.

You're canceling a subscription, scheduling a business meeting, looking up a price, or picking a date for a garage sale.

Get into it. *Feel the vibe.*

Gather up all the twigs and start packing them into the fireplace. Keep the momentum rolling, but when you get tired... *stop.*

Put the list down and revisit it in the morning. Start the process over and take out a few more of the stragglers.

You can't fix everything overnight, **but you can get the fire started!**

And once it's burning, *we can start looking for logs...*

Chapter 3: Rebuild Sound Financial Habits

After we've dropped the bomb...

After we've picked the low-hanging fruit bare... we're going to be left with a couple of the larger differences.

Unlike their smaller companions, most of these can't be fixed by a flurry of concentrated action. They will take consistent effort over a longer period of time.

Developing your first budget, paying off your credit cards, understanding the basics of your investments, and establishing your emergency fund.

None of these things will be easy.

None of these things will happen overnight.

I remember seeing an interview with Will Smith. He told a story of his father making him and his younger brother carry loads of bricks across the yard to build a wall.

Back and forth they went. They carried the bricks, only a couple at a time, from a pile on one side to rebuild the wall on the other.

He explained how, at a young age, he came to the realization that focusing on building the wall, itself, was going to drive him nuts.

So instead, he focused on laying each brick *"as perfectly and as beautifully as a brick could be laid."* And before they realized it, there the wall was.

I'm most likely butchering Will's actual story, but I still remember the *"Hell yeah"* moment I had after first hearing him tell it.

Let's lay some bricks!

Which habit to focus on first...

"Create a definite plan for carrying out your desire and begin at once, whether you ready or not, to put this plan into action." -Napoleon Hill

Like before, Courtney and I found the most success when we concentrated our efforts into building one new habit at time.

For us, the progression looked like this:

1. Tracking our spending.
2. Freaking out and starting a budget.
3. Struggling... redrafting... and battling our budget...
4. Gaining traction and dominating our consumer debt.
5. Telling credit cards where they can shove it.
6. Stock piling cash savings for our impending travels.

I'm not telling you that this is your path, nor that it's the best path.

For that, you'll have to look at the exercises we've done, the differences in what you have and what you want, and the action list you've generated.

What's the area that has the higher impact? What area will feed the others on the list?

For us it was debt. We grew to hate it. I started a site called Man ***Vs.*** Debt for a reason. We really viewed it as a battle.

We only started tracking our spending and exploring a budget because it magnified our ability to destroy debt.

Now, we keep these habits around because of how well they magnify our other goals, too! But they were born out of anti-debt passion.

You've got to look into the life you want and find your own sources of empowerment.

Look, the journey ahead is grueling. Nothing I can say here will change that.

My best advice?

If you want easy... stop reading now. The rest of this guide will not be convenient.

I'm going to dig down deep and explore the concepts that have had the largest impact on our financial life.

I can't promise it'll be fun. But I can guarantee it'll be empowering.

You can do this.

Section 3: Applying Unautomation

So now you've read the theory. You've designed what your Unautomated financial life could look like.

We've covered plenty of "Core Action Steps", but now it's time to really dive in deep.

We'll be examining the nuts and bolts, the principles that can really revolutionize your finances.

We'll be examining tracking, budgeting, funding your initial surge, and paying down your debt.

We'll be looking at how do all sorts of weird things to your credit cards, discussing going car-less, and giving consideration to renting for... you know... the rest of our lives.

Get all that?... Oh well, here we go...

Chapter 1: Actively Track Your Spending

There's a reason why...

...nearly every personal finance author, guru, and blogger endorses some form of tracking spending (at the very least as a tool to turn around a sub-par financial situation).

Tracking your spending habits is a proven, effective, and powerful way to increase your understanding of your financial life.

It's easy to dream about where we want to be. We just showed that. It's much harder to have a realistic grip on where we are now.

And being fully conscious of our starting point is essential to planning what areas should be simplified, eliminated, or improved.

Passive tracking vs. Active tracking...

"Problems cannot be solved at the same level of awareness that created them. "
-Albert Einstein

Looking over your credit or debit card statements at the end of the month is not tracking your spending. While we can argue semantics all day, at the very best it's an extremely passive, detached method of tracking.

For one, there is a time delay in this process. Some of the charges may have been nearly 30 days ago (or 45-60 days for credit cards). And that's assuming you check it every month!

While we may be able to recall what we bought (or even why we bought it) 30, 45, or 60 days ago, it's borderline impossible to remember any of the specific details.

"What mood was I in when I splurged for this fancy dinner?"

"Why was this trip to the grocery 150% more than normal."

"What is this Online Retailers, Inc. credit card charge for again?"

Most of the time, we settle for simply "analyzing" the data (whatever that means to us). We may sort it by category and think, *"Wow... we really need to cut back on eating out."* Or, *"Huh, I didn't realize how much I was spending on Ebay the last few months."*

While it is possible to change our habits based on this information, it's a constant struggle. We are trying to wage war with only a bird's eye view of the battlefield.

While this perspective is vital to developing strategy and making big moves, the outcome of the battle is going to depend on how we swing our axe and when we lift our shield.

Shift to Active Tracking...

"What's a soup kitchen?" -Paris Hilton

Look, I've tried being fancy. I've tinkered with logging every purchase into Quickbooks (yes, even for our personal finances). I've logged hours and hours in Excel, crafting complex spreadsheets (mine was 72 columns and 9 separate tabs) and was a poster boy for the *"swipe and analyze later"* movement for several years.

All these examples did a great job of convincing us we had our finances under control. Sadly, the truth was a different story.

We were treading water, at best. It turns out true traction was going to wait until we adopted a much more *active* form of tracking.

When making the transition from passive to active, there are two areas to consider:

- Lowering **the time** between when you make the purchase and when you "analyze" your spending.
- Raising the **level of consciousness** within the actual method used to track.

After trying half a dozen other techniques for tracking, there was only one that enabled us to feed two birds with one seed (yes, my metaphors have gone soft):

*Tracking every single purchase at the **time of the sale** using simple **pen and paper.***

Yes, I'm serious. We are going to be kickin' it 1930's style (which, by the way, is not a bad place to look for personal financial habits).

Recording purchases by hand is a forced affirmation after every purchase. It instantly eliminates the "swipe it" mentality and discourages making many small frivolous purchases (which are notoriously sneaky enemies of your money supply).

Our grandparents called it a pocketbook. It was widely incorporated into checkbooks over the years (remember when we used to know our balances after each purchase) and finally, all but eliminated by the molding of pieces of plastic with 16-digit numbers.

However, I'll tell you this... it wasn't eliminated because it was an inferior financial habit. It was eliminated because we became lazy. We started blurring the line between convenience and simplicity.

When attempting to change a pattern, the act of immediately recording your purchases is much more effective than having the resulting data to analyze later.

Both are useful pieces of information, but it all goes back to the "battlefield perspective" we discussed earlier. In order to create lasting change... in order to actually walk the walk... we need to come face-to-face with our daily routines.

We've got to ditch the bird's eye analyzing and swoop down to where metal meets metal.

30-Day "Hand-to-Hand" Challenge...

The challenge is simple: Track your spending for 30 days straight at the "hand-to-hand" level.

Why 30 days? First, 30 days is a proven time frame when it comes to installing a new habit (actually it normally only takes 21 days). However, since the far majority of billing cycles in our financial lives occur monthly, having an approximate months worth of data (or ~30 days) helps us when projecting budgets.

Here are the "rules":

- **Use good 'ole fashion pencil (or pen) and paper.** This can be a notebook, an index card, an envelope, or anything else in your arsenal.
- **Do NOT wait for the 1st of the month.** Data from the 7th to the preceding 6th is just as valuable! No excuses!
- **Don't worry about categorizing at first.** This is the biggest cause of burnout early on. Just start with the item and price. Remember, the process is the most important part. You have plenty of time to get technical later.
- **Round spending to whole numbers.** Simply round your spending up to the nearest whole

dollar. Save the spare change in a jar (for your emergency fund, of course). Don't let being $0.12 over/under derail you from installing the habit!

- **Develop a nightly routine of reviewing daily spending.** It should only take 5-10 minutes max. Sometime after dinner and before bed, recap your day to ensure you've got all spending recorded. If you have a significant other, you can do this together.

- **Refrain from "catching up tomorrow".** Each day that passes reduces consciousness and increases the chances you'll fall off the wagon completely. If you forget your recording instruments... improvise. Grab a napkin. Save the receipt in a special place. Whatever it takes!

If you've never actively tracked your spending before, doing this for only 30 days will have a radical effect on your finances.

Ditch the excuses out and come out swinging!

Chapter 2: Simple Budgets Suck Less

These days the word *budget* has become a dirty word.

It strikes fear in our hearts. It's only muttered within the darkest alleys in the shadiest corners of the world.

People throw around euphemisms like "spending plans" or "creating a list of monthly bills". If a friendlier name makes it less intimidating... go for it!

But the truth is, regardless of the name, **we all budget in one form or another.** We all have to choose how to distribute our income. The only difference is whether we do it consciously or subconsciously and, of course, what particular method we may use.

And if we are going to be budgeting anyway, **we might as well do it deliberately.**

For many, budgeting is just a phase (like dying your hair or listening to Reggae music). All too often, we treat it only as a tool for those in a desperate financial situation. We adopt some form of budgeting when times are tight, but the habit quickly fades as we start to get some financial breathing room.

Here's the thing... even if we no longer live paycheck to paycheck, we still have certain areas where we want to prioritize our spending.

A budget is not simply a life preserver for those that are drowning. It's a tool anyone can use to ensure they are consciously maximizing their hard-earned money!

In the business world, it would be unheard of to expect a company to abandon budgeting just because they turned a profit the quarter before.

So why has this become standard in our personal lives? Why should we hold our businesses (and the companies we work for) to higher standards than we hold ourselves?

Obviously, the benefits of budgeting are much more tangible when we are in desperate financial situations. I get that (I'm not as dumb as I look). But everyone can benefit from a deliberate plan for their spending.

Get over the first hurdle...

"You have to find something that you love enough to be able to take risks, jump over the hurdles and break through the brick walls that are always going to be placed in front of you."
-George Lucas

Contrary to popular belief, budgets do not have to be complex to be effective.

Like many things, **the hardest part of budgeting is actually starting for the first time.**

Many of us build budgeting up into a big, hairy monster. We stumble over fancy templates, complex spreadsheets, and lists with dozens of budgeting categories.

Budgeting isn't as hard as we make it out to be. It doesn't require academic study. You don't need a Master's degree, nor does it require superhuman willpower.

In fact, if you can't recreate your budget using simple pen and paper, **you are making the process much more complicated than it has to be.** Most of the time, you're pumping a ton of extra effort into achieving very little added benefit.

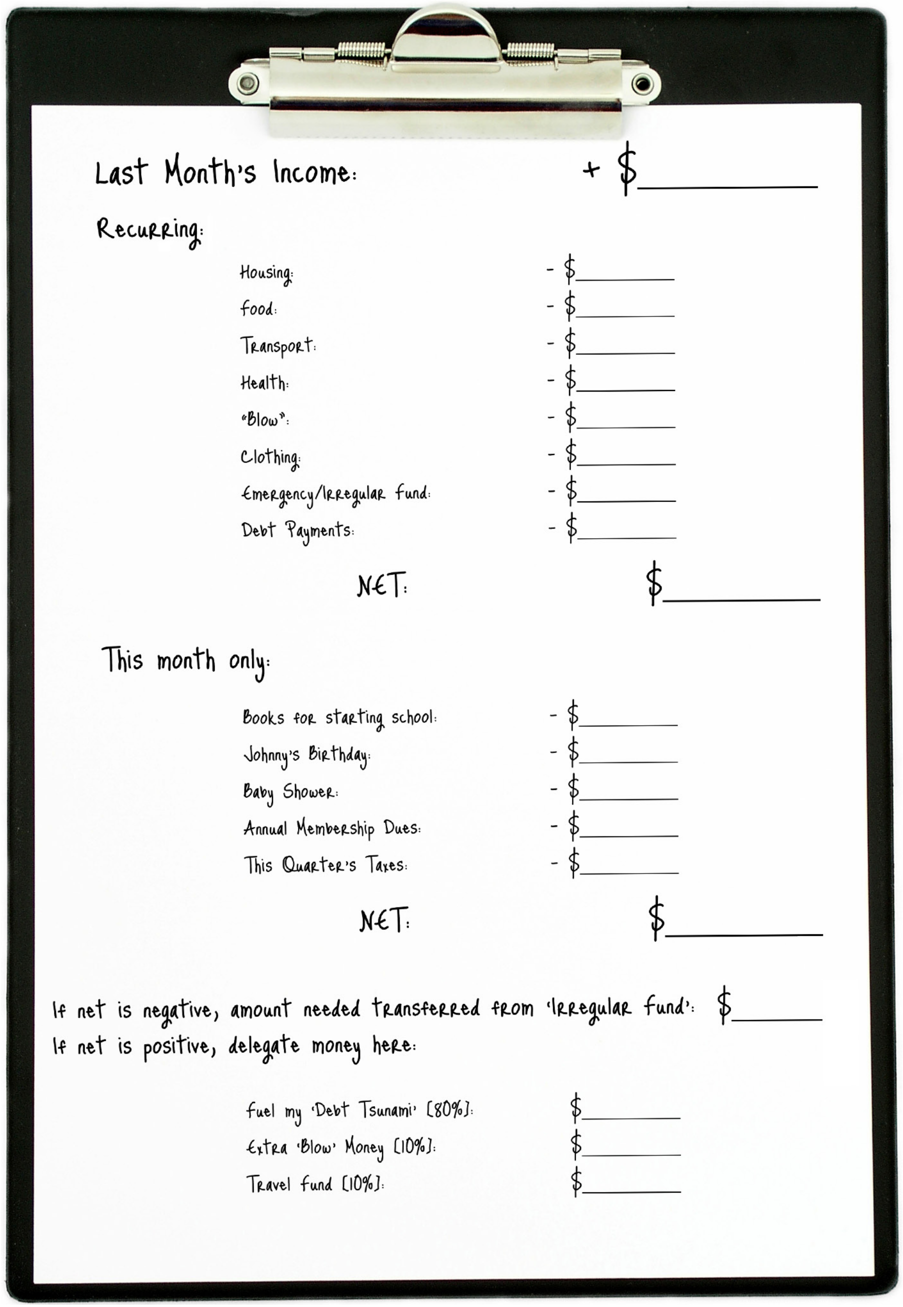
In addition, the simpler you can make the budgeting process, the higher the chance you'll follow through with it from month to month.

It's perfectly okay to use whatever tools work for you. However, I've found even the fanciest software has a tough time competing with (and is often times far more distracting than) a couple sheets of blank paper.

Similar to tracking your spending, writing your monthly budget out by hand forces you to reaffirm it each time. There is simple, raw power in physically declaring the amount you will spend in any category at the beginning of the month.

Budgeting by hand also encourages you to stay simplified and dissuades extra layers of spending and categorizing from creeping in.

On the next page, we'll outline a simple, straightforward approach that anyone with two blank sheets of paper can use to get started:



Budget based on Last Month's Income...

"Even God can't change the past." -Agathon

On the top of the first sheet of paper, we'll start with a simple, easy to track number: **Last Month's Income**.

Unless you have a consistent income and are only paid once per month, estimating your total income from month to month can quickly become the first source of disconnect when budgeting.

Factoring in the income of a small business owner, someone paid on commission, or even an employee receiving an 'extra' biweekly paycheck this month (3 checks instead of the normal 2), can make matters even worse.

Another obstacle is accounting for any small "windfalls" or bits of irregular income that may pop up throughout the month. Maybe it's $40 bucks for your birthday from a distant relative or an extra $75 you made by selling your old CD collection in your neighbor's spontaneous garage sale.

We tend to be able to justify spending this type of money more impulsively. That's actually okay, if we plan it out consciously.

"I'll reward myself by going to dinner on what I make from the garage sale..."

However, much of the time we end up impulsively spending this "extra" income and then scrambling to justify the decision afterward!

Budgeting based on Last Month's Income gives us a concrete, fixed number on our monthly income and ensures that we account for any small windfalls.

Budgeting this way also puts a little padding between receiving the income and spending it, which usually means that bits of income are less likely to mysteriously 'vanish'.

Round your budget numbers...

"Math is like love -- a simple idea but it can get complicated." -Anonymous

There's a super simple way to make your budget even easier to grasp, while losing very little benefit.

Round any dollar figures... yes, even fixed bills!

To be more exact:

- **Round income down** (a $17.50 rebate becomes $15, and a $1823 paycheck = $1800)
- **Round expenses up** (a $1.64 snack becomes $2.00, and your $1231 mortgage = $1250)

This simplifies the math and makes the whole process more approachable. Once again, what's the worst case scenario? You'll have a small amount of padding left over at the end of the month? *I think you'll be able to cope!*

Seriously, though, you can apply any small excess according to the plan you will form at the bottom of the first budgeting page (or budget it as extra income for the following month)!

List your "Recurring" expenses...

"If you think nobody cares if you're alive, try missing a couple of car payments." -Earl Wilson

This section will be the brunt of your budget and will remain fairly consistent from month to month. You'll be tweaking the numbers as you attempt to tighten and loosen specific categories, but all of these expenses are going to be familiar sights.

The biggest key here is to keep your categories as **broad and straightforward** as possible, especially when getting started. This is not the place to record due dates, account numbers, or interest rates.

Instead, simply come up with a broad estimate for each category. How much are you spending on housing in total? What about Food (both grocery and eating out)? Debt?

Later, **we'll break down one category at a time.** This will be the point when we analyze the individual purchases that make up a category and make the appropriate changes.

Also, be sure to give yourself a "Blow" category alongside your other reoccurring expenses. This will be specifically for your impulse purchases, fun releases, or even spontaneous charitable giving. You can spend the money on whatever you want... whenever you want.

Most people tend to be intense early on in their budgets. While I'm a big believer in leveraging the power of focus and momentum, intentionally delegating yourself some room to fudge is a great way to avoid burning out after the first month!

Obviously, the categories in the example graphic are just suggestions. Yours should be customized to your own situation. **Try to limit yourself to 5-8 broad categories.**

How much of your income is left?

Take a moment to subtract all of your recurring expenses from Last Month's Income number. *How much of your income is left?* This number should almost always be positive, with the rare exception of income prone to really intense swings.

Unfortunately, this is where many people stop their budgets. We list out the bills we regularly pay, subtract from our estimate of a typical month's pay, and call it quits.

In order to last more than a month or two, we'll have to take it up a notch and start planning for our irregular expenses.

Plan for "Budget Busters"...

"Do not fear mistakes. You will know failure. Continue to reach out." -Benjamin Franklin

Despite our best intentions, we all can agree that life... happens. On top of that fact, we all occasionally forget commitments and make bonehead mistakes. Sometimes it's our fault, and sometimes it's out of our control.

But, Christmas comes the same time every year. So does the start of school. And while the day your car breaks down may be a surprise, the fact that it *will* break down shouldn't be!

By now, you realize I love naming concepts in our financial life. Courtney and I aptly nicknamed all of these irregular, but predictable expenses: **"Budget Busters".**

The best way to counter Budget Busters is with consistent tracking and consistent budgeting. It doesn't sound fun, but it works. And it takes less effort than you think.

Your first few months of predicting these expenses is going to be rocky. Expect to make some errors. But any time you get caught off guard, or encounter an expense you hadn't planned, simply add it to your Master List (we'll cover this on Page 2 of the budget).

Over time, **your Master List will become more complete, and your expense estimating skills will sharpen.**

As best you can, at the very beginning of each month, set aside time to think ahead through the coming four weeks and list out any expenses that will occur **"This Month Only"**.

And, yes, you will occasionally run into true emergencies that even the best planning won't predict. That's life. We all cope with these the best we can given our situation and resources. But even a true emergency will be a lot less stressful when you know what else is coming in the weeks and months ahead.

How much is *really* left over at the end of the month?

Once again, you'll want to leave some space to subtract your "This Month Only" expenses from the previous total. This should be a close estimate to what you will be short (need to come up with) or how much money you have left over (need to allocate out).

If you have a negative number, this is (hopefully) due to having a high amount of "This Month Only" expenses that happen to fall in the current cycle. In these cases, we'll simply be making a single transfer from our **"Irregular Fund"** (discussed soon) to cover the difference.

If your negative cash flow isn't due to a spike in irregular expenses this month (or if you are already negative after the 'reoccurring' section), there are only two fixes:

- **Increase Income**
- **Decrease Expenses**

Talk about simplicity. That's it, folks.

While the goal of *Unautomation* isn't to save or earn more money specifically, in many cases the suggestions found in the *Theory* and *Science* sections of this guide will do just that.

Simplifying will not only cut expenses, but will increase your productivity and performance by eliminating distractions.

If the number at the end is positive, then your first step is done.

However, we still need to have a deliberate plan for our surplus. This is often called **Zero-Sum budgeting** and helps assure that all of your hard-earned money is spent how you consciously decide.

I suggest you form a plan for your money based on one of two systems. Each helps accomplish specific goals in different ways.

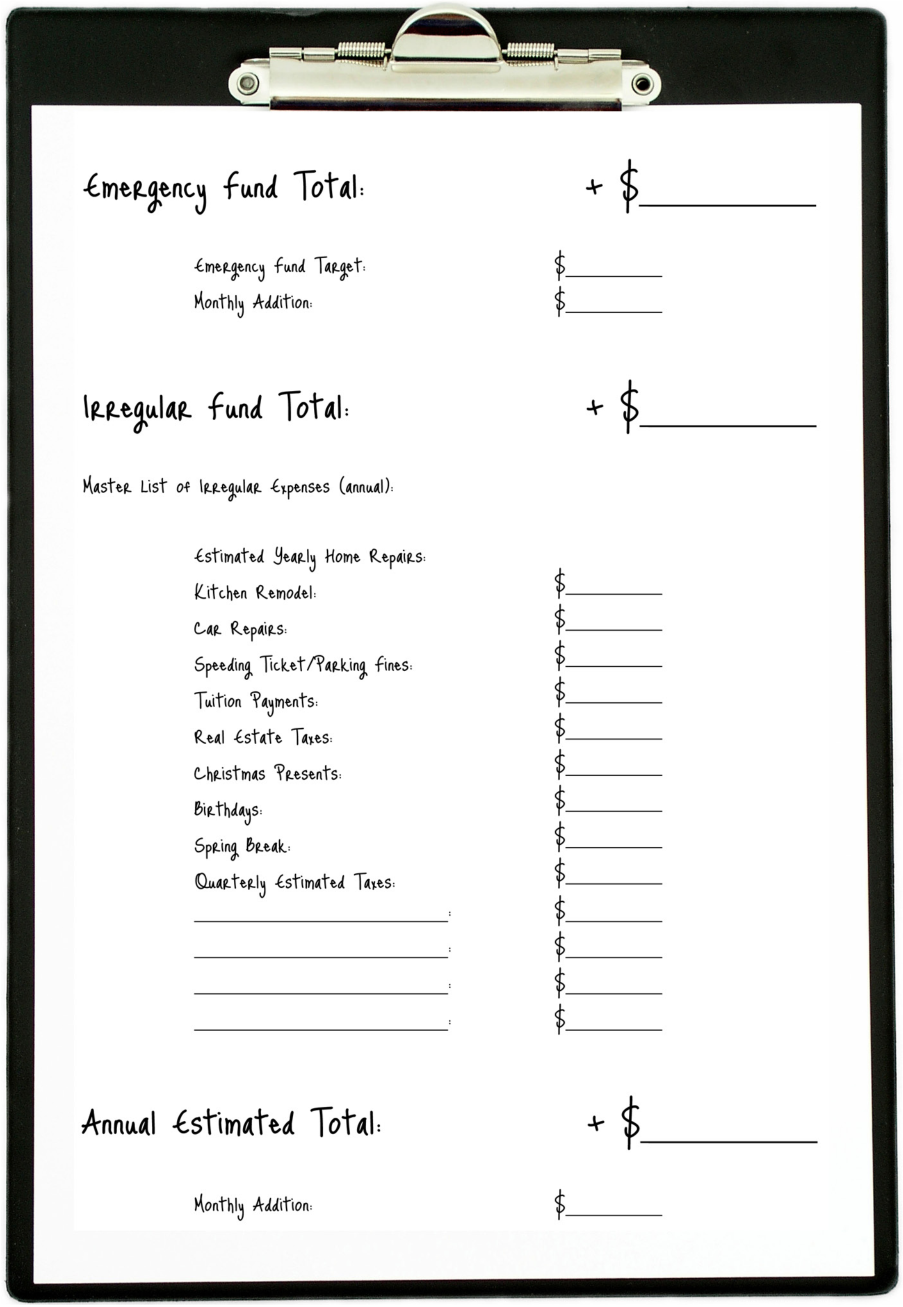
1. **Use a percentage based plan.** This is where you'll list a select few of your most passionate objectives and assign each a percentage. In the example shown above, we focused on applying the excess to debt (80%), rewarding ourselves with a small bonus to our "blow" money (10%), and a small bit to a distant travel fund (10%). We tapped into the power of a primary focus, while still rewarding a little to both short and long-term motivations.

2. **Rank most important with specific dollar amounts.** The alternative is to provide exactly where the money will be spent up to a certain amount. We may say the first $1000 excess goes to debt repayment (covering our surplus most months), the next $200 goes to our travel fund, and any remaining amount goes to beef up our "Irregular Fund."

Of course, these are both just random examples. Your plans for any surplus should mimic your *Unautomated* goals you outlined in the *Science* section.

Just avoid trying to spread out your surplus over a complex set of 15 categories.

Focus in on those things most important and build some momentum!



Monitor your Fund balances...

"Awareness is empowering." -Rita Wilson

On the top of second budgeting page, we'll start with some straightforward information.

On the first line, simply record/update the current balance of your **Emergency Fund.** If you are in the process of starting or growing your emergency fund, you'll have two more numbers you'll want to note here.

First, is your **Emergency Fund Target** (for example, maybe you want $1000 to start). The second is the **Monthly Amount** you are contributing to the fund each month (say, $150/month as a base).

The rest of the second page is going to be devoted towards tracking your **Irregular Fund**. This is a special fund specifically designated to tackle the issue of "Budget Busters" or non-monthly expenses that pop up.

Like the Emergency Fund, you'll want to start each month by updating the total balance of the Irregular Fund at the top of its section. This will give you a clear view of where you stand each month.

Brainstorm "Irregular" expenses...

"Christmas is the season when you buy this year's gifts with next year's money." -Unknown

Next, you'll want to keep a **Master List** of these irregular expenses, estimated as close as possible to their yearly amounts. Keep in mind that this is going to be an ongoing process.

The chance that you even remember all your "surprise" expenses, let alone estimate them correctly, is... well... slim to none.

In order to get started, try to brainstorm any and all expenses that *"pop up"* every couple of months. Which expenses took you by surprise last year? Think seasonally, too: birthdays, Christmas, spring break, and the start of the kid's school.

Go ahead and try to complete the list in your first wave of brainstorming. However, remember that the real secret to mastering this area is regular updating.

As we mentioned earlier, any time you have an expense that shows up in This Month Only expenses (on Page 1), but not on your Master List (on Page 2)... **you need to add it!**

Over time, these two lists will feed off each other. Your Master List will return the favor by reminding you at the beginning of each month to plan for certain Budget Busters you may have forgotten.

Stay one step ahead...

"Wisdom consists of the anticipation of consequences." -Norman Cousins

After you've estimated the annual cost of your irregular expenses, it's time to add them up. This total will be your eventual goal when you go to beef up your savings account (more on this soon).

To finish off the second budgeting page, you'll want to divide the total annual irregular expenses by 10 and enter the number as your monthly contribution.

Why 10? Well, 12 would seem logical, as there are 12 months in the year. But as we've stated before, we want to stay one step ahead of our irregular expenses. Not only is 10 easier to divide mentally, it also allows us to have some fudge room for errors in planning.

Using this technique, you'll be contributing 1/10th of your annual irregular expenses per month to the account and spending 1/12th (on average) from the account.

In the worse case scenario, you'll slowly beef up your savings. In the best case, you'll be able to make up for an expense you forgot (nobody's perfect) and/or smooth out a spike in expenses during one month.

Giving yourself room to fudge up and still be on track is crucial to ensuring budgeting becomes an routine in your life.

The actual point of any budget...

If we don't change, we don't grow. If we don't grow, we aren't really living." -Gail Sheely

The point of a deliberate budget is to change your underlying habits.

If there is no way to facilitate habit change, a budget is useless. If you are estimating a bunch of categories, passively tracking your spending, and then just changing the numbers at the end of the month to reflect your new totals ... **you are chasing your tail!**

Many of us do just that! We set $400 as a FOOD budget, but have no way to control that number. We may try to only spend $400. But it's usually only after the month that we look back and say, *"Oh gee, we spent $500. We really need to try and cut that back next month."*

Like passive tracking, this common form of passive budgeting relies on a mixture of willpower and good intentions. While this mixture is convenient, it rarely leads to lasting change in our daily habits.

Envelope Budgeting...

"A budget tells us what we can't afford, but it doesn't keep us from buying it." -William Feather

To create a lasting shift, we need to execute our new budget in a **tangible** and **timely** way.

We need to easily estimate our progress on a regular basis, preferably before or during the course of a purchase. To accomplish this, Courtney and I relied heavily on the envelope budgeting system.

Envelope Budgeting is a simple, tangible system which uses cash to purchase any discretionary spending categories. This would include food, clothing, eating out, haircuts, and almost any other expense where you actually pay in person.

At the beginning of the month, cash is placed into physical envelopes based on that month's budgeting categories.

For example, if you budgeted $400 for food this month, you'd tangibly place $400 dollars into an envelope marked "Food." Before, during, and after the purchase you have an instant snapshot of how much money you have left in that given category.

Not only that, but **you can actually touch it.** You can see it. There's no hiding behind Visa. It's either there or it's not. If the register says $67.42 and you have $40 in the envelope... *something's getting put back.* It's that simple.

In addition, budgeting with envelopes lends itself perfectly to actively tracking your spending (just write the purchase on the actual envelope).

You can also take advantage of the various strategies to curb impulse spending, such as taping a picture of your goals or family onto the outside of the envelope.

I've yet to experience a budgeting method that is more straightforward or effective at increasing your awareness during purchases. Envelope Budgeting is a fantastic option for sticking to your new (or old) budget.

Break down one category at a time...

"Most people have no idea of the giant capacity we can immediately command when we focus all of our resources on mastering a single area of our lives." -Tony Robbins

Up until this point we've been intentionally keeping it broad. This will be your base for budgeting. However, most of us will have several areas where we can improve, especially when getting started.

This is yet another area where the power of focus can be leveraged. **Hone in on the one area where there seems to be the largest room for improvement.** This doesn't mean you want to neglect every other area, you'll just only be dissecting one category at a time.

Let's say, for example, your "Housing" costs are running far over what you'd like to spend (or can afford to spend). You've kept the category broad by lumping in your mortgage, taxes, utilities, and repairs. This is great, but it's time to really dig in.

When concentrating on a category, it's okay to pull out your microscope. Make a commitment to be extra critical of any Housing expenses this month. Go line-by-line through the utility bills, check your air ducts for leaks, get a quote for refinancing, and reevaluate whether that bathroom "remodel" is necessary at this point.

Every morning when you wake up, look in the mirror and say to yourself, *"This month... is Housing month."* (I'm joking... I'm joking! Please don't be that hardcore!)

On a serious note, the problem is when we try to analyze all of our utility bills, while slashing our grocery spending, all but eliminating entertainment from our lives, and trying to transition into a one-car family.

Start slow, stay focused, and remain conscious of the one category you are hitting this month. You can always switch it up next month.

After only 3-4 months of this, you'll be making some serious traction, without burning yourself out in the first few weeks.

Remember, we all budget in one way or another. Budget deliberately, but keep it simple and allow yourself the breathing room to actually create a habit... not just a phase.

Chapter 3: E-fund, I-fund, & 1-Month Cushions

A simple, rock-solid financial foundation is comprised of three parts:

- A small, but strictly defined **Emergency Fund**.
- A **Cushion** in your checking account equal to last month's income.
- An **Irregular Fund** containing a year's estimate of all non-monthly expenses.

Luckily, this setup blends extremely well into the other principles we've discussed so far. It can also easily be run out of one checking and one savings account.

Of course, **this won't happen overnight.** We'll start with the Emergency Fund and work our way through the list.

Your Emergency Fund...

An emergency fund is the ***single most important*** financial principle.

A fund of this nature has the power to bolster your confidence, reduce your financial stress, and insure you against minor emergencies. But there are a couple stipulations to getting started:

- **Keep it small.** Start with $1000. Sure, it would be peachy to have more, but saving 6-8 months of expenses directly into an emergency fund (as some gurus suggest) is a daunting task, especially when getting started. Also, the larger your emergency fund becomes, the easier it becomes to loosen your definition of an "emergency". I'm all for increasing savings further, we'll just be assigning a specific and targeted purpose to any additional money.
- **Strictly define it.** The second stipulation is that you only tap your emergency fund for ... emergencies. This is easy in theory, but much harder in practice. You need to mentally (and physically) separate this money from your daily spending accounts. Even when an unexpected expense *does* pop up,

ask yourself whether you have other ways of handling the expense. Can you cut spending elsewhere? Save tapping your fund for those true emergencies when you will need it the most!

When starting from scratch, just initiating your emergency fund will provide a radical mental shift. And, to be honest, that's what we are really after with this tool.

The key to understanding the value of an emergency fund is to **treat it as a form of insurance.** Just like car or homeowner's insurance (which most of us wouldn't live without), an emergency fund is just another way to spread risk.

In this case, we are spreading the risk (both mentally and physically) that an unexpected or uncontrollable event pops up and wrecks our momentum or causes us to revert to destructive financial habits.

Look, in a true emergency, we've got enough on our hands. We may be dealing with physical, emotional, and/or spiritual issues. If at all possible, we need minimize the financial stress during these times, at least until we can get our bearings straight.

Don't fret about chasing the perfect interest rate. Put this fund in a savings account (reachable, but not too reachable) and mentally declare that it is a last resort in times of *true* emergencies.

Your 1-Month Cushion...

In the previous section, we discussed the concept of using Last Month's Income when budgeting. It's a great technique to cope with irregular income and take the guess work out of estimating little bits of unexpected income that may show up.

Of course, this technique relies on us being at least a month ahead of our bills. We will discuss ways to help get there soon, however let's first talk about some of the companion benefits.

Like an Emergency Fund, the biggest benefit of getting a 1-Month Cushion in your checking account is to **break free of the paycheck-to-paycheck mentality**. For those of you that have been there (or are there) you know what I'm talking about.

The paycheck-to-paycheck mentality is...

- ...constantly evaluating which bills can be stretched out another two weeks and which need paid now.
- ...having to grocery shop on the night you get

your paycheck, because you aren't positive it'll still be there on Monday.

- ...knowing exactly how many weeks it takes the cable company to turn off the connection for non-payment.

It's no wonder we can't make any progress in this situation. We're too busy juggling varying levels of stress and picking between lesser evils.

Budgeting last month's income to spend this month shatters this mentality.

By budgeting with last month's income, which is already in your checking account at the beginning of the month, you could batch pay every single bill for the month on the 1st (if so desired).

As long as you've accounted for the expense at the beginning of the month in your budget, you'll never have to worry about bouncing transactions. You'll forget what it feels like to wait for your paycheck to clear, so you can pay a bill.

At the very most, your income will be spending an extra couple weeks in your checking account before being spent or delegated. Instead of chasing 1/24th of your annual savings account rate for that time period... just chill. Give yourself the peace of mind and ensure that the income is spent deliberately and consciously.

Now that's Unautomation!

Your Irregular Fund...

By the time you're building your Irregular Fund, you've already got a big part of the foundation in place. You'll have a base emergency fund and a full-month's income as a cushion.

At this point, common advice tells us to *"pad your savings account."* Well, that's fine and dandy, but it's incredibly vague. **There's no reason we need to lose focus at this point!**

Some advice is more specific... *"Increase savings to 3-6 months of expenses"* or *"Have $10,000 in liquid accounts."*

I like this advice much more, with the addition of specific, tangible targets. But, there is still one big hole for me.

Many people have never built substantial savings accounts before. They are going to have a tough time consistently building up $10,000 or $20,000 in an account. The higher the amount crawls, the more likely it is to start day dreaming about "better uses" for that money.

Suddenly an $8,000 savings account looks more and more like a down payment. Heck, you could buy the best t.v. that McCorp-Mart offers and still have a huge padding left!

We are entering dangerous waters here!

The way to prevent this is to **attach a purpose to that money** before hand. We need to know why we are saving it. If we give it a specific purpose ahead of time, we don't need to day dream one up in the future!

That's where the Irregular Fund comes in.

The **Irregular Fund** is the place where we attempt to predict and account for any spending that is not a regular, monthly expense (or "Recurring Expense").

Back in the *"Simple Budgets Suck Less"* section, I outlined how to brainstorm which expenses will fall into this category and how to "stay ahead" of them on a monthly basis.

Using the concept of an Irregular Fund over simply *"padding your savings"* will help build your skills at projecting and anticipating any surprises that may have wreaked havoc on your finances in the past.

Over time, the Irregular Fund will grow until the point where you'll have a full year's worth of irregular expenses covered. (Note: A full year of irregular expenses is not the same as a full year's worth of expenses.)

I suggest you cap your liquid savings out here. You'll now have a small (but strictly defined) emergency fund, a 1-month cushion in your checking, and a full year of any miscellaneous expenses to smooth out the bumps.

Now that's how I like to roll! For the far majority of people this will be plenty of liquid savings.

Get a Month Ahead...

"I can't take HIS money... I can't print MY OWN money... I have to work for money?... Why don't I just lay down and die?" -Homer Simpson

While it all sounds smooth, the tough part for many will be actually getting a month ahead in their financial lives.

A large percentage of people, especially in America, are living paycheck-to-paycheck these days (trust us, we know how it feels).

They've been stuck in this pattern for so long they can't remember what it's like *not* to be stressed about money.

So how do you get that initial breathing room?

There are two options:

- **The Knock-Out Punch.** This is using a big chunk of money to jump-start the cushion. This can come from a chunk of income (tax refund, bonus, etc...) or be created intentionally (selling possessions, downsizing to one car, refinancing a bad mortgage, negotiating a raise).
- **Inch-by-Inch.** If you don't have or can't create an impending financial windfall, don't be afraid to start small. As we've talked about earlier, make this your focus. Throw every small extra amount at it. Slash extra expenses and "bill" yourself to pump up the cushion. Just start!

Until you are able to get some breathing room, you'll have to estimate this month's income as best you can. Don't let this become an excuse not to cut your teeth into budgeting.

Even getting just a two-week cushion (1 paycheck ahead) will make a world of difference in your confidence and stress levels.

Look, the perfect time to start taking control of your finances is... *now.* Guess your income. Start tracking to get an idea of your spending.

Go get some freakin' envelopes and put some limits on yourself.

There is no financial situation that is so grim that you cannot bounce back. There are endless success stories of people who've overcome extremely desperate financial conditions and came out on top.

Stop making excuses and start creating your own personal recovery story.

While I'm fired up, let's keep going...

Chapter 4: Pay Off Debt with the Debt Tsunami

Let's talk about debt... ba-by...

You've made the decision to aggressively attack, but with a myriad of different debts, balances, and interest rates... you're lost.

Where do I start? Which one should I pay first?

Courtney and I have been there. We had multiple credit cards, auto loans, a jewelry loan (wedding rings), and a hefty loan from family.

Oh yeah, and *$60,000* in student loans...

Our first list had 15+ accounts listed, each with different terms and interest rates.

You didn't answer my question... *Which one should I pay first?*

Alright fine. You might have heard of the "Debt Snowball" (paying lowest balance first) and "Highest Interest" (paying off in order of interest rate). You can make either one of these options work, but Courtney and I found a much more powerful one in our own life:

The Debt *Tsunami*

The Debt Tsunami is a debt-reduction method in which you pay off debts **in the order of their emotional impact.**

Which should you pay off first? The one you hate the most!

I'm being serious. It's hard enough to try and remove emotions from routine personal finance issues. It's impossible to fully remove them when we are talking about debt.

The "logical" crowd loves paying them off by highest interest rate. After all, the mathematics easily show that's the best option. It's been said often, but it's true... if mathematics were the primary influence over your debt, **you wouldn't have any debt in the first place.**

You know the mathematical concept I enjoy most? **Probability.** I want the method that increases the probability that, you know... *I actually pay off my debts.*

Dave Ramsey, whom I have a lot of respect for, popularized the concept of the "Debt Snowball." Frankly, I think this is a fantastic method which Courtney and I used as a base when getting started.

It causes you to have an increased amount of small victories up front. It also quickly simplifies the overall number of debts (as you pay off the little ones), which makes it easier to grasp the remaining ones.

Both of these factors help you establish and keep momentum. **They are the twigs that fuel the fire.** They increase the probability you'll ultimately succeed.

But even the snowball method had a gaping hole for us. This method automatically assumes that paying off the lowest balance would generate the most momentum over time.

But let's use an example of an overwhelmed young couple. They've just started taking control over their financial lives. They've funded their small, defined emergency fund, and have started to get some traction in their budget.

They're sorting through a pile of credit cards, student loans, a loan from a parent, and a brand new mortgage. They love the concept of simplifying and building momentum, so they've set out the three smallest debts to pay off first:

- $300 Guitar Center store card at 10%
- $575 Mastercard balance at 14%
- $1000 loan from a parent at 0%

There's a big problem, though. **The family loan has caused some unanticipated, but very real stress.** It was a fantastic relationship before hand, but now every time the extended family gets together, there's a weird vibe in the air.

The young couple hates it. They can't stand the awkwardness, even if it's in their imagination only. For them, paying off the family member has huge emotional benefit. To redeem a segment of dignity will be very powerful in the long journey to come.

It's not just with loans inside of families, either. Sometimes a specific debt is tied to a stupid mistake. And, let's be honest, some stupid mistakes hurt more than others.

Yeah... yeah... Debt is debt is debt. Technically, but that's not how our brains work.

I received more satisfaction paying off debt related to my former gambling addiction, than I do now paying off my student loans. **Balances and interest rates couldn't mean less in that situation.**

After paying off the family loan, though, the Guitar Center card and the Mastercard don't have any different emotional weight for our fictional couple. They were both just wasteful expenses. In this case, they elect to pay the Guitar Center card first as they can knock it out in only one month with their new budget.

This additional flexibility works both ways. A different young couple may be extremely analytic. Their primary influence may be paying off their debt in the most "optimal" method. However, even this "logical" couple might still choose to pay off the parents first if there is tension.

But immediately after writing that check, they'd most likely revert back to paying the highest-interest debt.

Why? Because the highest-interest debt (Mastercard) now has the most emotional appeal to them. They place value in the quickest method and are willing to sacrifice the early small success for that.

While I don't prefer the latter couple's method, that's the beauty of using the Debt Tsunami. **It's flexible.**

It's a simple adjustment that still provides a guideline for people who are overwhelmed, with the added ability to adapt to many more situations.

Create Your Own Debt Tsunami...

"Some people use one half their ingenuity to get into debt, and the other half to avoid paying it."
-George Prentice

Tsunamis are most often the result of a targeted burst of energy. In deep waters, you would hardly notice any early impact. But, as the water begins to get shallower and shallower, the waves quickly swell in size and strength with a momentum that takes you by surprise.

Paying off debt is no different. Most of the time, we need the same sort of targeted energy. It takes a singular event... a financial earthquake or volcanic eruption. Maybe it's finally saying, *"we've had enough".*

We start slashing our spending and digging up bits of side income, throwing any extra amount we can at our debts. But like the tsunami, the deeper the water, the harder it is to see any early impact.

As the water becomes more shallow... as our individual debts start to shrink, we finally see a glimpse that swells in the distance. Staying on pace, the water thins out, and the swells morph into roaring walls of water.

Enough of the metaphor? Here are the concrete steps:

1. **List your current debts from smallest to largest.** You'll want to keep this very simple. Make 3 columns: Name, Balance, and Interest Rate.

2. **Review each debt one-by-one.** Go down the list of each debt and gauge any emotions you have attached to each one. Close your eyes and image paying it off... (just do it). What caused the debt? How do you feel about the vendor? What's the interest rate? Take it all in.

3. **Highlight debts that stand out.** Put a star next to it. Rank it on a scale of 1-10. Circle it with a big, red marker. I don't care how you mark it, but note any debts on the list that really get your blood pumping.

4. **Reorder the list based on your highlights.** Now it's time to make any changes. You see those two debts that have the stars and red circles? Let's destroy them. Let's wipe them off the face of the earth. In all likelihood, making any sort of progress on these (even $50 or $100 dollars) will be exponentially more valuable to your stress levels and momentum than any other debt.

You are reordering your debts based on *how empowering it'll be to eliminate them!*

Now that you have an order figured out, you don't need to update this daily. Sure, you can revisit it every 3 or 4 months to ensure everything is on track. For now, stop dwelling on the particulars of interest rates, balances, and emotional impact all together.

It's time to head towards shallow water!

(Back to the metaphor!)

You've just mapped out the path to shore. Now take the power of your initial shift and start running as fast as you can towards shallow water!

Track spending, start a budget, adopt frugality, go out and finally claim your earning potential. Before you know it, you'll be riding a roaring wave of debt annihilation.

When you hit shore there will be nothing left standing. With no debt, your financial life will be a proverbial blank slate. You'll be standing on an empty beach, ready to build your life as intentionally and as passionately as you desire.

Chapter 5: Cut, Cancel, & Freeze Your Credit

To start off this section, I had planned to put in a statistic or two about credit cards for shock factor.

The sad thing is... I doubt I can find statistics that would be of any surprise these days. We all know how insane this industry has gotten lately.

Frankly, the credit card companies are really scrambling. As they do, more and more consumers are waking up, realizing what's going on, and... *getting pissed.*

Just this past week (as of this writing) the new heavily-covered credit card legislation has gone into effect. Many of the shady profit centers that the industry relied on so heavily are drying up.

The corporations aren't giving up though. Some companies are now charging people for not using their cards ("inactivity fees"), canceling credit cards on people who pay their balances off (their least profitable customers), and even jacking up rates on customers who have never missed a payment (in many cases to 20%+).

While Courtney and I don't use credit cards anymore, all of these are actual examples that have happened to close family and friends in the last 6 months.

Look, I'd love to kick this industry while it's down, but I'll just try to keep it brief:

Carrying a high-interest credit card balance is dumb.

Everyone knows it. No one can argue with it. The days of "no fees" and "12-month 0% rate transfers" are over...

You can't win the race against credit card interest!

If you are carrying balances on your credit cards, this should be one of your absolute top priorities. There's simply no other way to slice it.

Is your credit card a tool?... Or are you?...

"Never spend your money before you have it."
-Thomas Jefferson

But what about people who aren't currently carrying a revolving balance. Isn't it possible to use credit cards as a "tool" to get "free money" through rewards?

Well, that's one theory. *smiles*

On a serious note, many people try to make it into an issue of whether or not you can be "responsible." For them, if you can't "control yourself" you should cut up your cards completely. However, if you possess "self control" then you should be tapping into all the "free money."

(Enough quotation marks for you? More on the way...)

But the discussion is much more deep than just whether you can "be responsible" or not...

Benefits of using credit cards:

- **Rewards.** Many credit cards will have rewards and/or points that equate to 1%-3% of the amount you spend. By using specific credit cards in the right combination (gas cards for gas, booking flights on specific airline cards, etc...) you can average between 1.5% and 2% of your overall spending. Many credit card users consider this to be "free money" that they receive when paying off their balances every month.

- **Establish credit history.** As long as you can keep from getting any negative marks (missed payments for example), showing a string of consistent use will help bulk up your credit history. When done properly, this can be an easy way for people with little or no credit to become more "established."

- **Convenience.** Swiping a credit card is convenient. It's easy. We've talked about the drawbacks of this heavily, but it's still also a benefit to consider. Of course, debit cards are just as convenient to swipe in this instance.

- **Digital Tracking.** Albeit "passive", credit cards do offer the additional convenience of making your traffic digital. The resulting data is thus much easier to analyze and sort. Once again, debit cards offer the same benefit in this area.

- **Physically safer than cash.** For situations where you are physically mugged or lose your belongings, credit cards are much safer than cash or debit. It's easier to cancel credit cards; and while there may be headaches dealing with fraud on multiple accounts, you won't lose any money directly.

- **Misc. Protections.** Some credit cards offer random bonuses for specific purchases. For example, they may provide lost baggage protection when you book a flight or extra rental insurance when you rent a car. Extended warranties are common, as well.

Benefits of slicing credit cards into tiny pieces:

- **Opt-out of the industry.** The credit card industry isn't exactly on fire as of late. The limelight has recently exposed many of the sneaky techniques and back-room tactics that led to the enormous profits of the last decade. If given the choice, many prefer simply to opt-out of the industry all together.
- **Simplifies Your Financial Accounts.** Removing credit cards from your life simplifies your tangible accounts and eliminates the mental upkeep it takes to juggle them. Even many credit card users are cutting it down to just a single card.
- **More intense focus.** We've talked a lot about the power of focus. Many people enjoy ditching credit cards as a sign of commitment to a set of principles. For example, they may feel that a system in which rewards increased spending is not consistent with their ultimate goals.
- **Lowers risk of identity theft.** There are two different types of identity theft. The creation or opening of new lines of credit and the process of stealing existing account information. Each additional open account you have increases your risk for the latter. In addition, losing a wallet with $40 cash is bad, but losing one with 5 different credit cards may make you wish it was the cash instead!
- **Heightened awareness.** Studies have shown time and time again that people spend more with credit cards than debit cards or cash. It's the convenience of the "swipe it and forget it" mentality in full force. It's not impossible to spend consciously with a credit card, but debit and cash have proven to foster more awareness during purchases.

Ultimately, the decision on whether to keep credit cards in your financial life comes down to weighing the pros and cons above.

Of all the credit card benefits, I'll admit that earning rewards is the most appealing. However, the rewards simply aren't enough to make it worth it. *Here's why...*

The credit card industry **derives a large percentage of its profits** from people stuck in a cyclical, destructive habit.

They *thrive* on irresponsibility.

Let me be clear, the individual customers (the ones in debt) are to blame. I'm a big fan of personal responsibility.

At the same time, we all have a choice. We can choose to support these industries, or we can choose to opt-out of the system as a whole.

Courtney and I haven chosen to opt-out.

We choose what industries, products, and services we use on a daily basis. In our life, credit cards will never be in this chosen group. Sure, most debit cards are still either Visa or Mastercard, but for now it's a lesser evil.

Credit cards don't promote sustainability. They don't foster focus or passion. Worst of all, they thrive on us prioritizing convenience over consciousness.

As you might guess, if we don't have to be a part of the credit card industry, we won't. It's that simple.

To cancel or not to cancel...

> *"...that is the question." -William Shakespeare*

Regardless of whether you decide to ditch credit cards all together, you'll likely bump into an open account or card that you don't plan on using in the future.

This may be a previous account you've left open or could result from paying off a current credit card you no longer need.

Either way, you'll be confronted with the question of whether to close the account when the balance reaches zero or whether to leave it open.

Once again, there are pros and cons of both sides...

Benefits of keeping credit cards open:

- **Raises Your Credit Utilization Rate.** Your "credit utilization" is the amount of your active balances divided by your total credit limits on all accounts. If you have active balances, closing an account will lower your overall limits and thus raise your "credit utilization". This may lower your credit score. However, if you don't currently carry any balances, your utilization rate is already zero. In other words, closing your accounts won't change it any.
- **May Lower Average Account History.** Your account history accounts for 15% of your overall credit score. Closing any accounts

that are older than your average credit length may negatively impact your credit score. Your actual report would still show the history.

- **Shows a worse "mix of credit".** Another small part of your credit score is determined by a "healthy mix" of credit. In general, FICO likes to see a mortgage, an installment loan (auto, jewelry, personal), and some revolving credit (a.k.a. credit cards). Not having revolving accounts may impact your score.

- **Vendors that use credit scores.** Above, I've pointed out a couple reasons why your credit score may be negatively affected by closing an open account. Unfortunately, a low credit score can affect certain types of vendors. Some insurance companies factor credit scores into their rates. Utility companies may require deposits from individuals with low credit scores. And some cell phone providers may not provide plans to the lowest scores.

- **Employers may use credit scores.** It's much more rare, but some employers look at credit scores, as well. This is much more common in the financial sector and, even then, more weight is usually placed on a credit report (which would still show great history) than the actual score.

- **Emergencies.** Some people have a desire to keep at least one credit card open "for emergencies." While I can certainly understand the appeal of this approach, I'll explain in the next section why that may also be a drawback.

Benefits of canceling credit cards:

- **Prevents Fees & Changes of Service.** In months past, this was much less important than it is now. The latest round of credit card legislation has caused a flurry of changes on behalf of the credit card companies. Some cards are moving to annual fees. Others are charging "inactivity fees" for long stretches without use. Leaving a card open also exposes you to the occasional erroneous fees, which even though you won't have to pay, may cause some headaches in getting removed.

- **Lowers Risk of Identity Theft.** Obviously an open account is more likely to be compromised than a canceled one. Once again, ultimately you won't be responsible for charges, but on old accounts it can sometimes take several months to detect any fraudulent activity. Unfortunately, you'll still have the responsibility of cleaning up the fraud and the temporary damage to your credit could be significant.

- **Less junk mail and waste.** Inevitably, having open credit cards means more junk mail, clutter, and wasted paper. You can get most account statements electronically, but companies are notorious for sending out paper CoS announcements, rate changes, and even new offers.
- **Easier To Review Credit Reports For Errors.** The most recent statistic I saw claimed in 2009, 78% of credit reports contained some sort of error! Checking your credit report for errors is one of the fastest ways to improve your credit (if you do find an error that is). In addition, pulling your reports at least every 4-6 months is a great idea just to check for fraudulent activity and major changes. The more active accounts you have, the more opportunities for something to be reported incorrectly, and the harder it is to skim over.
- **Eliminates Ability To Re-Enter Debt.** This is the classic responsibility segment of the argument. None of us are perfect. Even if you are responsible, closing the account makes it impossible to use our credit cards as a crutch even for a moment.
- **Prioritizes Liquid Savings.** When we keep around a credit card or two for "emergencies" it can dissuade building our emergency funds or 1-month cushion in our checking accounts. After all, we can just charge it if something comes up! Canceling the accounts prioritizes our liquid savings as they become the new safety nets for any emergencies. Liquid savings are more versatile in the event of a true emergency, as well.

This is yet another place where we have to weigh the pros and cons and see how they mesh with our values.

It's obvious that the primary reason not to cancel a credit card is the **potential for it to negatively affect your credit score.** Lately, though, I've become skeptical of the actual damage it does to your score.

FICO's formula isn't public. No one knows for sure how each of the factors play into each other.

I can tell you one thing for sure. In the 15 months since I canceled all of my credit cards, my score has dropped only 5 points.

Obviously, this is just one single case out of millions. I may have positive factors that are counteracting the negative impact of this. I can't say for sure.

Ultimately, for us the change in score is irrelevant. It was about **taking our decision to "opt-out" to completion.** If we aren't going to be utilizing the cards, we sure as heck won't be keeping them open.

As a side benefit, we get the added peace-of-mind from simplifying our financial accounts and minimizing our exposure to identity theft.

If you're going to cancel or close one of your accounts, here's the system we used:

How to cancel your credit cards...

"Debt is like any other trap, easy enough to get into, but hard enough to get out of."
-Henry Wheeler Shaw

There may be a more scientific approach, however, this has worked every time for us:

1. **Call customer service.** Before you slice the card into tiny pieces, simply call the number written on the back (or look it up online). Most of the time you'll be transferred to a "retention" department to cancel the account. Many times you'll be offered special rates, bonuses, or perks. Decline them. Cancel the card and ask for a confirmation code.
2. **After at least 45 days, check your report.** If you are able, pull your report from AnnualCreditReport.com (not FreeCreditReport, which is scammy-spammy) and check to see if the account is "closed by customer". If it's still active or "closed by vendor", calmly go back to the phone.
3. **Call customer service again.** Go through the process of canceling again and see what information you can get. Provide your confirmation code. Ask for a supervisor if needed and have them ensure things are reporting correctly on their end. If this isn't enough to let you go, ask for their mailing address.
4. **Send a certified letter with request.** Send a short letter stating your request for the account to be closed immediately. Reference the date of the phone calls and any confirmation numbers. Be direct.
5. **Wait another 60 days, check your report again.** If it still isn't off, send me an e-mail. I'll do a write-up on the bank and the issue on Man Vs. Debt. We'll record a catchy YouTube video and go viral! Seriously, though, this should do it.

Freeze 'em out altogether...

"No man's credit is as good as his money."
-E.W. Howe

There's one more lesser known "next step" that is available for consumers looking to really opt-out of the credit system.

You have the option to place a **credit report freeze** with these three credit bureaus:

- **TransUnion**
- **Experian**
- **Equifax**

A "freeze" restricts the access to your credit score and credit report. That means any new creditors, companies, or thieves will be stopped in their tracks.

The freeze doesn't prevent the vendors of existing accounts already on your report. As you may expect, law enforcement and certain government agencies will still have access if needed.

This will significantly reduce the risk of identity theft, while deepening your commitment even further. This is especially beneficial if you've recently become a victim of identity theft as it helps prevent any further breaches.

Once frozen, a credit report will remain that way until "lifted" by the consumer (a.k.a. you). You can permanently lift the freeze at any time or even schedule a temporary lift for a specific stretch of time (to say shop for a mortgage, etc...).

The drawback... it may cost you to place it.

Currently, fees for credit freezes are governed by the State the consumer lives in. This means different States have different fees for placing, lifting, or removing these freezes.

The bad news is some states can range between $3 to $20 per bureau per freeze. The good news is several states are 100% free (including my home state of Indiana)! Until they work out a better solution, you'll have to check your State's fees through the links on the next page.

I should also point out that there are discounted rates for seniors 65+ and some members of the military. Most importantly, **all States and bureaus provide freezes 100% free to recent victims of identity theft!**

So there are a couple factors that will determine whether or not a freeze is the end solution for you. Courtney and I have no immediate plans (or future plans for that matter) to access credit on a regular basis. As a bonus, we live in a state with no associated fees.

For us, it was a no-brainer. We both have had our reports frozen for over a year now.

If you are still in a position where you are frequently using credit or live in a state with unusually high fees, you'll likely have a tougher decision. If you choose to go forward with it, here's some information that will help...

Placing a credit report freeze online:

All three credit reporting bureaus now allow most people to place a freeze online. Using the online service is free, however you may still have to pay any fees that are state-specific.

Here are the links to freeze your reports online:

- TransUnion
- Experian
- Equifax

Placing a credit report freeze over the phone:

When placing a freeze on the phone, you may be pitched some sort of similar service that is either more expensive or some form of monthly monitoring.

Ensure that the representative doesn't "upsell" you into a service you don't need or want.

- **TransUnion**: 1-888-909-8872
- **Experian**: 1-888-397-3742
- **Equifax**: 1-800-685-1111

Placing a credit report freeze by mail:

It's slower and more work, but you can send your request by mail, too.

- **TransUnion**, P.O. Box 390 - Springfield, PA 19064
- **Experian**, P.O. Box 9554 - Allen, TX 75013
- **Equifax**, P.O. Box 105788 - Atlanta, GA 30348

You'll need to send a letter that states you want to freeze your credit report. Include your full legal name, current address, previous addresses (last 2 years), social security number, date of birth, proof of address, copy of police report (if applicable), and payment of state-specific fees.

Unfortunately, if you are already a victim of identity theft, most of the time you'll be required to place your freeze through traditional mail. I'd call first to confirm your situation.

Chapter 6: Simplify My Ride

There are many reasons a person may choose to simplify their transportation.

Some may be trying to minimize their impact on the environment. Others may find public transportation more enjoyable than fighting traffic on the road.

For Courtney and I, the last year **was more about freedom...** or rather, not being tied down to the responsibilities of owning and maintaining a car while overseas.

Despite the reason behind the simplifying, all these examples share a common benefit... **reducing transportation costs substantially.**

Not even counting financing and/or lease payments, operating a vehicle comes with a dizzying array of miscellaneous and often sneaky expenses:

The good news is that, most of the time, saving in one of the categories means saving in many others. And there are three great ways to get started:

1. **Cheaper Car.** No, I'm not talking about buying a clunker. I'm talking about buying a cheap, but reliable automobile for $2,000-$4,000. Those numbers are extremely reasonable in almost any market. A cheaper car also allows us to strongly consider "liability only" insurance, which has been an incredible cost saver for Courtney and me the past few years (we drive cheap cars).

2. **Smaller Car.** In general, smaller cars save money. Sure, there are some oddball exceptions to the rule (tiny or specialty cars). But

in general the larger cars, trucks, and vans will cost more to operate, more to fuel, and more to repair. Be reasonable, but consider downsizing your car if you don't need the space/features.

3. **Less Quantity.** Could you become a one-car family? Or maybe you could even ditch automobiles altogether, in favor of alternative transportation? Some families and situations will require multiple forms of transport to be available. I know that. However, do you really need 3... 4... 5 vehicles? Really? Alright, if you say so... but that seems like a stretch. Just saying.

When it comes to cars, all too often we allow ourselves to become fixated on only one number... the monthly payment.

But buried underneath that monthly payment are the myriad of expenses listed above. We don't always account for them, but rest assured they are there... slowly eating away at our budgets.

I didn't fully realize just how much it cost to operate (even a cheap) vehicle until Courtney and I spent almost a year without one.

It was eye opening on just how much of our budget was freed up without the burden of vehicles. We also got the chance to explore several alternatives while on the road:

- **Public Transportation.** Courtney and I took planes, trains, buses, trolleys, ferries, and tuk-tuks over the past 12 months. To be honest, I hadn't had much experience prior. The year or so completely changed my perspective on using public transportation. I'm now a huge fan.

- **Short-term Rentals.** This is more obvious when you're on the road, but I have a friend who does just this. He can get by on public transportation through the week, but likes to drive every couple of weeks to see his family on a road trip. Instead of buying a car that he wouldn't touch for 5 days of the week, my friend simply rents a car every other weekend. He always gets a clean car, drives it all weekend, and passes it back to the company. It's cheaper, simpler, and more fun.

- **Biking/Walking.** Courtney and I also had our first downtown-living experience while in Auckland for several months. I'm still skeptical if I want to live in a huge city, but one of my favorite parts of it was being able to walk almost anywhere. Biking, especially routinely, can have some expense and financial upkeep. But these are a joke compared to the cost of operating a vehicle. I'd bet on the fact that our next location will be extremely bike friendly.

- **Moped/Scooter.** While in Thailand, Courtney and I had the opportunity to use motorbikes as regular transportation. It was actually really great. Warning though, this category has significantly less sex appeal and will often lead to awkward conversations with co-workers.

- **Car Pool/Car Sharing Programs.** Chances are, you've heard of car pooling. It's simply sharing a car with co-workers or anyone else who travels to the same place at the same time. Car sharing programs are actually different. They are a pay-per-ride network where you can schedule a car for a specific time. So you might schedule a car for two hours on Wednesday night. It's apparently becoming a popular alternative in larger cities.

Since coming home from our trip, Courtney and I are now sharing one car. It's actually much easier than you'd think.

But our car-free experience really has us on the outlook for more opportunities to simplify our transportation needs even further.

Chapter 7: Slay the Ultimate Complexity Beast

There's only one industry having a tougher time than credit cards...

...and that's Real Estate!

Man, has it been an interesting 3-4 years.

I have no doubt that we'll eventually dig out of the slump; heck, many parts of the country are nearly back to normal right now!

I lost count of the number of young friends who've leveraged themselves into home ownership in the past year or two.

Unfortunately, like our vehicles (except on steroids), our homes are fierce opponents.

In addition to the monthly principle and interest payments, we've got to be on our toes for...

We aren't quite done yet, though... "Regular Maintenance" could be broken down even further.

Don't forget washing the windows, cleaning the furnace, fixing gutters, sweeping out the chimney, snow removal, recaulking windows, and changing light bulbs.

Eventually you'll need to restain the floors, replace the carpet, reshingle the roof, paint the porch, and replace the siding.

Courtney and I haven't actually owned a home for ourselves, but we've owned several rental units. I know just how exhausting is to deal with the upkeep of one of those, I can't imagine living in it, too!

Like transportation, though, we have some ways to fight back:

1. **Rent.** - A couple years ago, this point would have garnered some laughs. The situation hasn't changed at all, but our perspective has! Once you add in all the miscellaneous costs we've listed in the graphic earlier, renting seems like a much more economic answer to the situation. Renting has shifted from the sign of having credit problems to a sign of being level-headed and flexible. Funny what bubble bursting can do to our perspectives!

2. **Condo it up!** - Condominiums can provide a great way to own your home, without some of the miscellaneous expenses that come with a detached-home. Most often, the "common" areas of a condo are taken care of by the association. That means that several large recurring expenses, like the lawn care, landscaping, roofing, siding, etc... are juggled by someone else. This can be a happy medium for some people who want a little more simplicity in their lives.

3. **Buy a smaller house.** - We live in the age of the McMansion. Over the last decade, our homes continued to get bigger and bigger, despite the fact that we rented out more and more extra storage units. The only thing growing faster than our homes is the amount of crap we are putting in them! A smaller house means proportionally lower costs almost straight across the board. A smaller home also put a tangible restriction on the amount of accompanying stuff. This can be a great way to force a downsize!

Technically there are a couple more options available. But we'll save **Boat/R.V.** for another day (even if they may very well be in my future)!

Chapter 8: Unretire Yourself

I'm not going to talk much on investing and retirement. You know why?

We aren't investing and I don't plan on retiring!

Seriously, though, I find our society's concept of retirement fascinating.

When the concept of "retirement" was really popularized, our workforce was desperate for the older population to step aside in order to make room for the younger (cheaper) generation.

At the time, the average life expectancy was 63 years old.

It's now 78!

That's 15+ years of life expectancy change, yet we are still holding a nearly identical concept of retirement age.

Quit working at 65? *Heck, a good chunk of us were not supposed to make it past 64!*

The other factor at play is that the workplace has changed. There's no need to "make room" anymore.

Not only that, but it wouldn't be unreasonable for a 78 year-old to have the ability to produce consistent value. Lots of 78 year-olds still work in some capacity.

You see, I'm just not convinced that retirement is just one big race to the top of the mountain.

I'm not convinced we should be taking the fastest or shortest routes, rather than winding our way through the scenic ones.

I'm well aware my views of the issue may change over the next several years, but for now I'm going to stick to devoting energy to aligning my work, my passion, and my purpose.

We'll see where that takes us!

I'd like to end this Section with a well-known parable...

The Fisherman's Parable...

An American businessman was at the pier of a small coastal Mexican village when a small boat with just one fisherman docked.

Inside the small boat were several large yellowfin tuna. The American complimented the Mexican on the quality of his fish and asked how long it took to catch them.

The Mexican replied only a little while. The American then asked him why he didn't stay out longer and catch more fish.

The Mexican said he had enough to support his family's immediate needs.

The American then asked, *"but what do you do with the rest of your time?"*

The Mexican fisherman said, ***"I sleep late, fish a little, play with my children, take siesta with my wife, Maria, stroll into the village each evening where I sip wine and play guitar with my amigos, I have a full and busy life, senor."***

The American scoffed, *"I am a Harvard MBA and could help you. You should spend more time fishing and with the proceeds buy a bigger boat, with the proceeds from the bigger boat you could buy several boats, eventually you would have a fleet of fishing boats.*
Instead of selling your catch to a middleman you would sell directly to the processor, eventually opening your own cannery. You would control the product, processing and distribution.

You would need to leave this small coastal fishing village and move to Mexico City, then LA and eventually NYC where you will run your expanding enterprise."

The Mexican fisherman asked, ***"But senor, how long will this all take?"***

To which the American replied, *"15-20 years."*

"But what then, senor?"

The American laughed and said *"That's the best part. When the time is right you would announce an IPO and sell your company stock to the public and become very rich, you would make millions."*

"Millions, senor? Then what?"

The American said, *"Then you would retire. Move to a small coastal fishing village where you would sleep late, fish a little, play with your kids, take siesta with your wife, stroll to the village in the evenings where you could sip wine and play your guitar with your amigos."*

Final Thoughts

Whoo-hoo! You made it to the end!

We've covered a lot of ground, but I want to leave you with a few final thoughts.

Apply whatever clicks. Trash the rest.

Unautomation is not a step-by-step system. Your more than welcome to follow the exact same path Courtney and I did. But, there's no "one true way" to conquer your finances.

Instead of searching for a system, expose yourself to as much empowering information as you can. Pick through the mediums and test out the strategies and tips. Once you find something that works... don't mess it up!

"People do it everyday, they talk to themselves... they see themselves as they'd like to be, they don't have the courage you have, to just run with it."
-Tyler Durden

Unfortunately Necessary Disclaimer

I'm not a guru. I'm not a professional accountant, planner, adviser, or attorney. I didn't even graduate college. It's impossible for me to know all the facts regarding your personal situation. Therefore, it would be ineffective (among other things) to apply any advice or information I've provided blindly. Consult a well-intentioned financial professionals on any major financial decisions.

"What's Next?"

That's up to you! It's time to get off your ass and apply whatever "clicked"! But after you're done, please e-mail your feedback, success stories, or questions to:

Baker@ManVsDebt.com

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