

A FEW LESSONS FOR YOUNG PEOPLE ABOUT MONEY, ETC.



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- 1** Work is honorable. The benefits of meaningful, consistent, productive work go beyond the important economic rewards. Work should start early. If it hasn't, start now.
- 2** While sometimes necessary, debt should be thought of as dangerous. Borrowing should be for the purpose of an expected return that exceeds the cost of borrowing. Borrowing to purchase consumables or depreciating assets can be a difficult trap to escape.
- 3** Setting aside money (saving) should start early and be a non-negotiable part of a budget just like paying the electric bill. Having cash set aside that totals six to twelve months of living expenses is critical for life's surprises such as job loss, home and auto repairs, etc.
- 4** The most critical component to having resources for a comfortable retirement is to start early. Always contribute to a company 401-K. If you can't do the max contribution at least contribute to the point of taking full advantage of the company match. If a company sponsored retirement plan is not an option, regularly contribute to an individual retirement account.
- 5** Buy Term life insurance when you start having children. Some suggest a death benefit of 10x annual income. My philosophy was to purchase \$1 million of 20-year level premium term coverage each time we had a child. The premiums are low, and you'll probably let the policies lapse after the 20 years are up when the children are less financially dependent.
- 6** There is a strong correlation between prosperity and generosity. Giving should be a non-negotiable part of your financial plan.

- 7 Houses are for shelter. They should not be a statement. If you can only afford a 20% down payment, limit how much you spend on a house to 3x your household income. If you have other debt or if interest rates are higher, then limit the purchase price to 2.5x your household income.
- 8 Think about pursuing college in the context of graduating with the ability to take care of yourself financially. The idea is to promote more thoughtfulness about selecting the school and the major. Too many are graduating from college with limited marketability and often with significant student loans.
- 9 Be extraordinary. Ordinary efforts rarely produce extraordinary outcomes. Be early. Write handwritten thank you notes. Ask what you can do extra. Find a successful mentor that will be honest with you. In return, you can mentor them in technology.
- 10 A friend of mine once said, “cars are a conspiracy to keep middle-class people poor.” Despite what TV commercial messaging says, you are not what you drive. Buy a used car that has been well taken care of and drive it five to ten more years. You are making money every month you don’t have a car payment.
- 11 If you find yourself about to marry someone, the aforementioned concepts should be discussed. Finances are the leading source of stress in marriages. ■

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