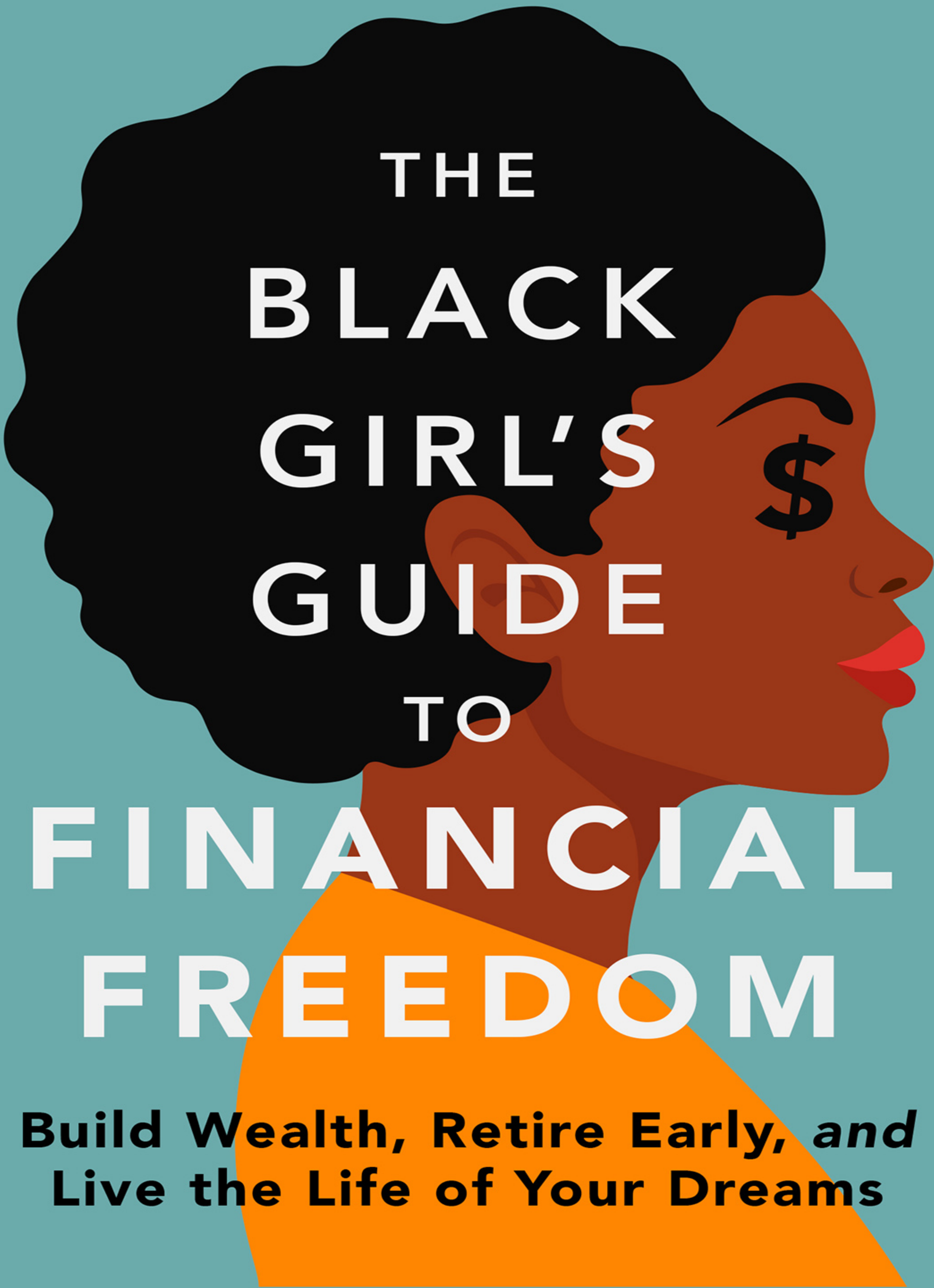
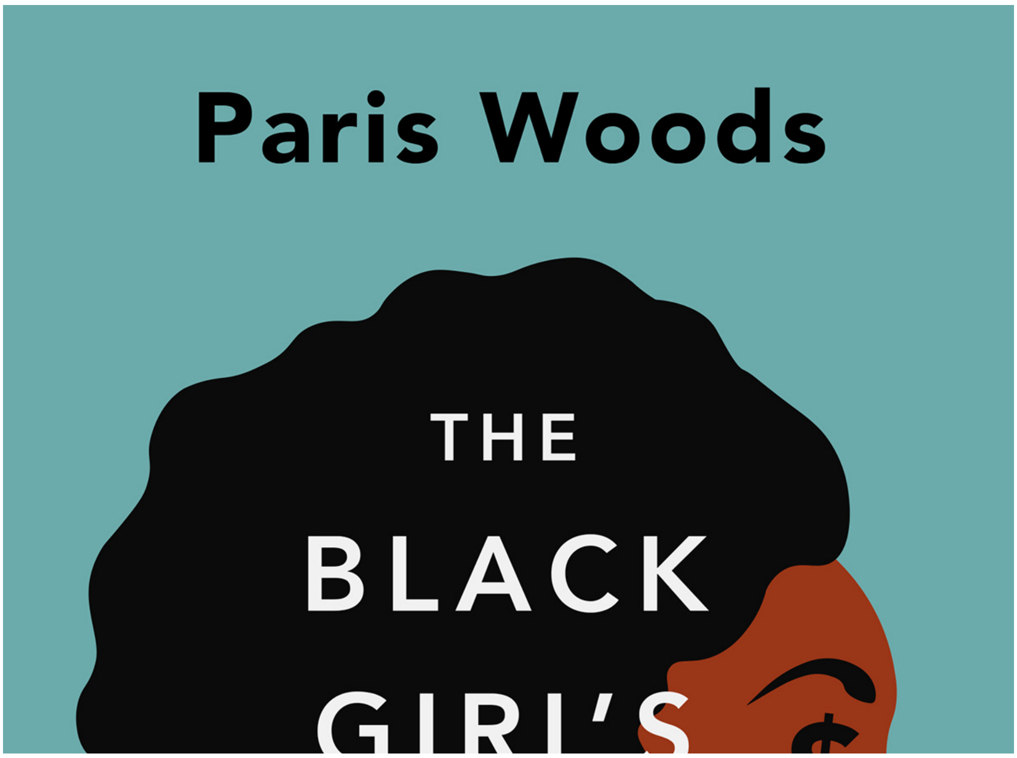
Paris Woods

THE BLACK GIRL'S GUIDE TO FINANCIAL FREEDOM



Build Wealth, Retire Early, *and* Live the Life of Your Dreams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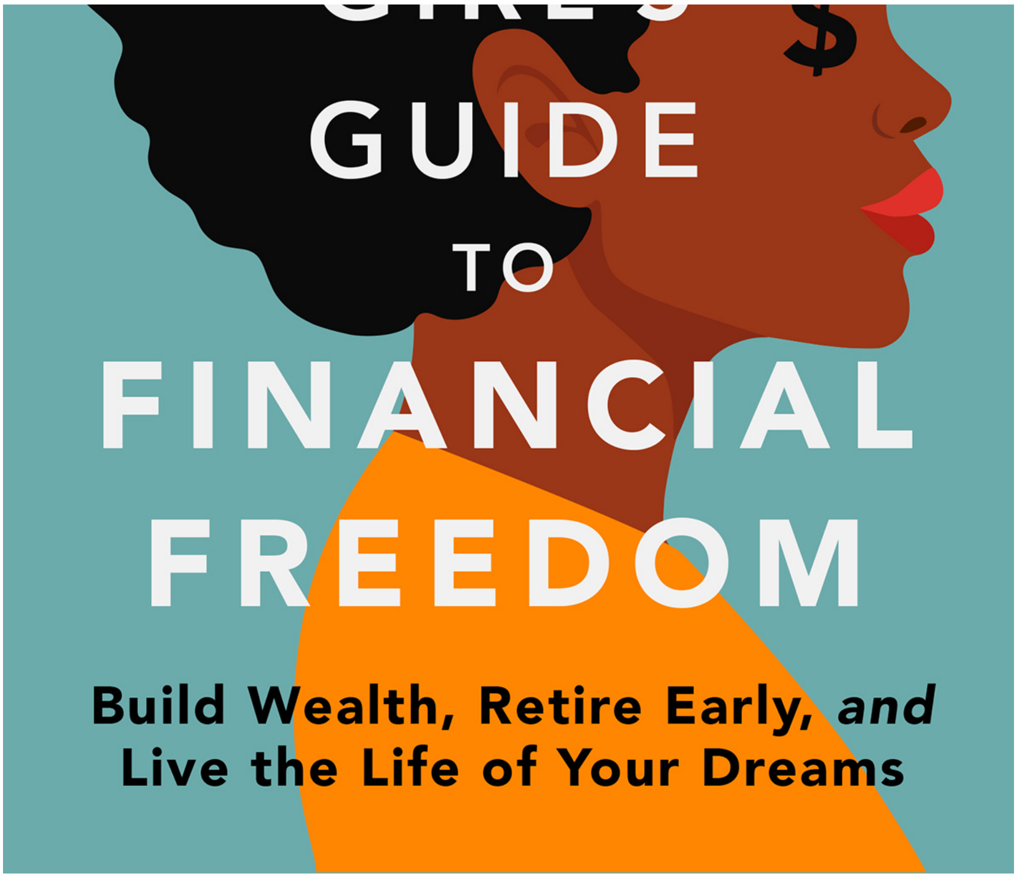
GUIDE
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ADVANCE PRAISE

The Black Girl's Guide to Financial Freedom is a great roadmap to mastering your money – and learning a lot about yourself in the process. With practical advice and a solid dose of big sister wisdom, Paris Woods shows you how to check your financial assumptions, reframe unhealthy attitudes about money, and figure out the best path for your unique financial journey.

Lynnette Khalfani-Cox, The Money Coach®, author of the New York Times bestseller, Zero Debt: ***The Ultimate Guide to Financial Freedom***

Paris knows what it's like to struggle. Raised by a creative and resilient single mother who managed to raise 6 kids on a $40,000/year secretary's salary, she learned valuable financial lessons that she imparts in this book. With actionable advice on buying a car the smart way, going to college debt-free, investing, and achieving financial freedom via different paths, Paris's relatable guide will teach you how to build wealth and live life on your own terms.

Kristy Shen, co-author of ***Quit Like A Millionaire***

This book expertly blends the WHY and the HOW of personal finance in a way few books do. By starting with *why* these concepts are so important, it roots all of the *how* steps in a larger purpose. It's actionable, and digestible for readers whether they're in their first job, or have a decade plus of professional experience. I'd recommend this book to anyone looking to hone their personal finance knowledge and take achievable steps to achieving financial freedom.

Ryan Frailich, CFP, CSLP, Founder of Deliberate Finances

Like a motivational big sister, Paris Woods delivers tough love advice on developing strong money habits—to get out of debt (or avoid it in the first place), save more money, invest more prudently and earn what you're worth. The reflective questions at the end of each chapter provide a structure that encourages and enables readers to put the lessons learned into practice right away. Throughout the book, Woods shares her personal experiences, including digging out of thousands of dollars in debt, how she creatively funded a high school trip to France that cost $2,000 and how she trimmed her budget by more than half in order to reach financial independence faster. The book is written as a rallying cry to black women, but is a solid financial primer for all.

Caroline Ceniza-Levine, Career Coach and Founder, Dream Career Club

Wealth is more than money for Black women. It's about living fulfilling lives with loving relationships, the ability to accomplish your educational goals, eating healthy and more. Woods champions this definition of wealth for Black women, reminding and giving us the tools to flip the script on financial health as oppressive to financial health as liberating.

Gabrielle Wyatt, Founder, The Highland Project

If no one ever taught you how to develop a sustainable plan for your finances, *The Black Girl's Guide to Financial Freedom* is for you. Woods strikes the perfect balance of personal stories, lessons learned the hard way, resources and worksheets to help anyone design their life of financial freedom.

Rhonda Broussard, author and founder of Beloved Community

What makes this book stand out among the vast library of financial self-help coaching karma is the author's very personal and compelling experience, and her ability to frame that experience in a larger social context. Like any good coach she is relentlessly optimistic, but goes deeper to see a larger context. Her aim is to give not only encouragement and advice but perspective, to protect you from—and help you to overcome—your own biases or naivete. And she succeeds. Paris Woods has made a valuable addition to the vast collection of advice that's out there.

Rachel Siegel CFA, author, *Personal Finance*, v 3.1 (Flatworld, 2020 [2010])

Creating financial freedom requires taking a slow cooker approach in a microwave world, as Paris Woods shows us. This book will teach you how to reframe your thoughts, build resistance and resilience, work through your numbers and take immediate action. It's a must-read for anyone who wants to learn the basics—both in theory and in real-world application—about how to move towards a life of financial freedom.

Paula Pant, host of the Afford Anything podcast

Paris's personal financial stories are relatable and her journey from debt to financial freedom is inspiring for women of any age.

Kiersten Saunders, co-creator of rich & REGULAR

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FINANCIAL FREEDOM

Build Wealth, Retire Early,
***and* Live the Life of Your Dreams**

Paris Woods

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FOR MOM

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PART TWO

"Become so absolutely free that your very
existence is an act of rebellion."
Albert Camus

PREFACE

I was raised by an inspiring, smart, compassionate, and loving Black woman who unfortunately had no idea how to manage money. I remember seeing her in tears, pouring over handwritten budgets and trying to make the numbers work. Despite the many calculations, series of extra jobs, side hustles, and creative spending schemes, we rarely ever seemed to have enough to make ends meet.

When my sister and I were little, we would join my mom on some of these extra jobs. For a time, she was cleaning office buildings overnight. Rather than leave us home alone, she brought us with her and let us help change out the trash bags as she worked. Then my mom created a printing business out of our home. She was resourceful in coming up with this idea, purchasing a paper cutter to trim pages and buying glue to bind booklets and notepads.

One thing I can say about my mother is that she sure was creative. She was also whip-smart and plenty motivated, but what she lacked was the information needed to maximize her talents, the know-how to generate a lot more income in the near term to make ends meet for her family, and the tools to generate lasting wealth in order to create a lifestyle that matched the gifts and abilities she offered the world.

As a result, I got to experience firsthand what a life of financial instability feels like. We moved from apartment to apartment when I was growing up, even spending time living in our car and in housing projects during the periods when my mom couldn't find stable housing. While she found creative ways to help us children think we were on some sort of epic adventure, it was hard not to notice the cracks in the picture she was painting. It's interesting to consider what impacts us most as kids. Out of all that we experienced together, one of the things that bothered me most was not being able to go to the store and purchase new clothes like my peers.

Thanks to Mom's efforts to ensure that my sister and I received an excellent education—which she viewed as a ticket to financial stability in our own lives—I found myself surrounded by middle-class and upper-middle-class schoolmates who were experiencing completely opposite lives financially. Going to the mall and buying new clothes every season was just a usual thing for them. I wanted that, too. I hated how we relied on donated clothes instead of buying them new. I can still remember standing in the living room of our tiny apartment, pulling wrinkled clothes out of a black trash bag that someone had given us, trying on piece after piece to find the ones that fit. I hated those musty old clothes that other people had discarded. (It's no wonder that my first real job was at the Gap, where I happily spent each paycheck buying new clothes right off the rack.)

By high school, my financial goals were starting to form. This was also around the time that our family finances took a turn for the worse. During my junior year, my mom's only sister was brutally murdered. It was a tragic shock for our family, and it also meant that my four little cousins found themselves without a home. Overnight, our three-person family grew to a total of seven. The two-bedroom apartment we were living in at the time was bursting at the seams. I watched my mom find solutions for making sure we each had a place to sleep. Cooking was never one of her strengths, but she hunkered down and found inexpensive meal ideas to ensure each of us was fed.

I remember starting to set financial goals for myself around that time. I figured if my mom could raise six kids on a $40,000-a-year secretary's salary, then I would be rich if I were single and made around the same amount. My goals were set. I envisioned a single life for myself, a modest salary, and enough money in the bank to buy new clothes whenever I wanted.

It was also around that time that I started reading popular personal finance books. I read books like *Rich Dad, Poor Dad,* by Robert Kiyosaki, and *The Money Book for the Young Fabulous and Broke,* by Suze Orman, cover to cover and memorized the strategies these advisors used and provided to their readers. Even though my plans to become a real-estate mogul stretched years into the future, what I did take away was that debt was good. (Spoiler alert: this is one of the lessons that I've learned to regret, and you'll learn a lot more about it in the chapters to come.) Financial pundit Suze Orman advises us to go ahead and use credit cards to support our lifestyle, with the justification that our earnings would increase over time so we would be able to pay it all off. Because of this lesson and others, I walked away thinking that being in debt was normal. In fact, I viewed it as a privilege to be able to take on debt, given that many in my community have had such little access to mainstream lending. It turns out that the plight of the middle-class is the ability to dig itself into massive amounts of debt, and this was very much the vision I had of how life should be. I figured that debt was always going to be a part of my life and that I would be lucky to one day have a car note, a mortgage, and a wallet full of credit cards.

Everything changed when I found a new set of financial educators who had a completely different set of values when it came to money. Instead of finding complicated ways to work the system, these folks focused on bringing simplicity into their lives. Not only were their financial values clear and straightforward to follow, but they were building massive amounts of wealth in the process. That was when I began to understand the link between wealth and freedom, between being free from debt and being free to build the life of your dreams thanks to all the extra cash in your bank account.

For years it had seemed like I was running in place as I tried to follow the advice of the debt gurus. I certainly didn't have any sense of peace or of control when it came to my finances. When I started releasing debt and embracing wealth, things finally started to fall into place. I was actually seeing momentum build toward my goals and, more important than my growing bank account, felt as if a weight had been lifted. People say the air breathes differently when you're out from under the weight of debt, and I wholeheartedly agree. Imagine receiving a paycheck and being able to keep all of the money you earned because none of it is owed to anyone else. It's enough to make you feel pretty secure no matter what your income.

What I can tell you from experience is that having money brings freedom. It gives you choices. Money gives you the confidence to say no to people and to things that don't align with your values. It gives you the space to take a break, to breathe, to consider what you truly want out of your life, and the freedom to walk toward your goals without fear. Achieving financial freedom is about so much more than the numbers in your bank account. It's about building a lifestyle for yourself that you don't regularly want to escape. It's about having the freedom to work on projects and with people that you love. It's about providing experiences for your kids that spark curiosity and fuel joy. It's about waking up each day and asking yourself what you *want* to do instead of what you *have* to.

Some time ago, the sentiment that we are our ancestors' wildest dreams became widespread. I've been thinking about this a lot lately. What might my ancestors have dreamed for me? As a Black woman whose heritage lies in generations of Black folks in America, I can't help but think that part of their dream for me would include the ability to rest, to have complete ownership of my labor and my time, to pursue my dreams, and to live a life of my own choosing.

I believe that freedom is our birthright as Black women; it's the price paid by our ancestors on our behalf long ago. The key to receiving what is meant for us is changing our viewpoint, reaching out, and embracing it. That's what I'm hoping this book will inspire you to do. I hope by reading it, you will see the world differently and have a different perspective on how money works. I hope this new vantage point inspires you to walk away from the societal norms we've been taught and embrace the life of financial freedom you deserve. We have so much to offer the world, and financial freedom is the tool that will allow us to do just that. Join me on the journey, and let's go get free.

With love, Paris

INTRODUCTION

You've been following the rules. You've been investing in your education, working hard, and showing up with excellence in your everyday life—basically exemplifying Black Girl Magic wherever you go. So why aren't you further ahead financially?

It turns out most popular financial advice is designed to teach us either how to maintain a middle-class financial status or offers us sparkly million-dollar promises that provide false hope while making us believe that the reason we're not millionaires is that we're not working hard enough. It seems to require luck or some extraordinary talent to achieve real wealth.

I've read a lot of this advice over the years. Advice on how to use credit cards, build a credit score, save for a house, put something away for retirement, and create a budget to track every expense. This turned out to be the standard middle-class advice that can be a good foundation if you're new to thinking about your finances, but it doesn't really seem to get your financial life moving anyplace exciting. The truth is that most of the middle-class folks I know feel pretty broke at the end of the day. They've got a stack of bills to pay, never enough money coming in, and goals that feel harder and harder to reach. The moment something breaks in the house, they're teetering on the edge of financial collapse. Going to see a financial advisor often makes matters worse. You're as likely to get good advice as you are to walk away with some ridiculous insurance policy packed with fees and the promise of a hefty payout when you die. I'm sorry but, really?

The underwhelming quality of the available advice on middle-class living led me to check out the other extreme. You know, the enticing books about how to become a millionaire by *thinking* like the wealthy or by creating a banging business that's a huge success. I love a good rags-to-riches story and the notion of the American Dream, which makes us all believe that any one of us could wake up rich tomorrow. Yet I found that a lot of the advice these folks provide is the wishy-washy positive mindset stuff that is interesting to read but doesn't provide any practical advice on putting real strategies into practice. Or, it's the nitty-gritty strategies that make you exhausted just reading them. No one becomes a millionaire overnight, and most of the road maps to get there will likely have you feeling frustrated while trying to figure out how to make them work. At least that's how I felt. I'm a pretty smart woman and can understand how building a successful business or becoming a real estate mogul are figure-out-able endeavors. The thing is, figuring them out are full-time jobs all their own, and I happen to have other things I'd rather be doing.

What other things, you ask? I'm an educator at heart. I like to read, learn new things, travel, spend time with friends, watch a good television show, and catch a Beyonce concert every few years when she's on tour. I write, I study, I sing when the mood strikes. What was missing in the financial advice space was a plan for someone like me. I don't want to spend every waking moment thinking about making money. But I also don't want to settle for the balancing act of a typical life, constantly trying to figure out how to make all of the financial pieces of my world fit together. I needed something different: a life plan for building wealth that didn't require superhuman effort or genius and one that allowed me to live out my dreams in the comfort of financial security. I found bits and pieces of what I needed in a lot of different places. It's just that no one had put it all together—until now. You hold in your hands the book I wish I had had ages ago and the book I hope every Black woman in America gets the chance to read.

This book is about freedom. It's about building wealth so that we can be free to live our very best lives and enjoy ourselves along the way.

WHY IS THIS INFO SO HARD TO FIND?

I'm not a cynic, but I am a realist. And the reality is that our society is designed to profit from our labor. This is why it's so hard to get our government to pass a mere $15 minimum wage. Too many companies are profiting from low-wage labor, while society benefits from the economic classes remaining right where they are. Instead of being taught how to hop off of the hamster wheel and divest from a consumer-driven culture—one that keeps pulling us deeper into debt and further away from our dreams—we are given advice on how to "manage" debt and work within the boundaries of the system. This is why you can follow all of society's rules just as they're written yet still end up tied to a job you don't like or scrambling to find extra money to put away in savings.

I don't find this one bit acceptable. I want to see Black women win financially. It's time for us to take a different path. My proposal is that we learn from others who've traveled the road to financial freedom themselves over the years. After all, early retirees and everyday millionaires, who built their wealth steadily over time, are all around us, essentially hiding in plain sight. Imagine what would be possible if Black women pursued the path of financial independence *en masse*. If we truly had the freedom to spend our time however we like, there would be so much *more* creativity, innovation, and joy in the world. Imagine the difference we could make in our lives, our family's lives, and for the well-being of our communities. This is the dream I have for you—for us—and why I decided to write this book.

WHY FINANCIAL FREEDOM MATTERS

When I started this journey, I was thousands of dollars in debt with no plan of getting out. Following the principles outlined in this book helped me turn my net worth from negative to positive. One thing I can tell you from experience is that having money in the bank gives you a new perspective on life—a confidence to make the choices you really want to make and a sense of comfort in knowing that, no matter what comes your way, you'll be okay. This is why I use the term "financial freedom" interchangeably with "financial independence" throughout this book. These terms have different meanings to different groups of people, but I've found that having money in the bank and knowing that you'll be fine if your paycheck disappears tomorrow is freedom indeed.

I have found many distant mentors along the way to help me sort out the steps of this journey, and it just took me a little longer than I would have liked to find them. You might be surprised to hear that this country is chock full of millionaires. Over 20 million individuals in the United States had a net worth of a million dollars or more in 2020.[1] And what I learned from a popular study about the average millionaire, *The Millionaire Next Door* by Thomas J. Stanley, is that these folks are everywhere, living in middle-class and blue-collar neighborhoods, enjoying lives free of financial worry. To be honest, that's the kind of wealthy life I want for myself—nothing too fancy or flashy, just the peace of mind from knowing that the financial side of my life is fully handled.

While most wealthy folks are busy living their lives and avoiding the spotlight, I'm grateful for the few who have come out of the shadows to share their wisdom with the rest of us. I have immersed myself in blogs written by Black folks who have cracked the code to a stress-free life—some of them retired on more than a million dollars, and others retired on much less. Some of these writers are single, some are married, and some are raising children. There's no defining background characteristic that makes a life of financial freedom possible. As you'll learn, the key is getting clear about what you want from life and then aligning your financial plan to match your goals.

HOW THIS BOOK WILL HELP YOU GET THERE

If you follow the simple advice found in these pages, you will build wealth and possess the tools to retire early if that's one of your goals. More importantly, you will gain the knowledge to create financial freedom for yourself and for the generations who follow you. The first half of this book, Part One, is all about freedom from debt. As scholar-activist Audre Lorde once said, "The master's tools will never dismantle the master's house."[2] It's one of my favorite quotes because it reminds me to question the systems I take for granted and challenge widely-held beliefs that unknowingly keep me bound. The financial house we live in today is built upon debt and indenture. We are led to believe that debt is normal, if not a point of pride. ("Look at my fancy house and my expensive degree!") But the truth is that debt has been used to suppress the economic advancement of our people for generations. If we are going to experience financial freedom, we've got to let this system go. Part One will help you do just that, giving you the tools to navigate the world debt-free.

Part Two is about mapping out your personal path to financial freedom. When you are debt-free, you have a lot more cash at your disposal. We'll talk about how to use that extra cash to finance your dream lifestyle. We will start by getting super clear on what your dream life looks and feels like. Then we'll get your personal financial systems set up to automate the process of building wealth, so you can get started right away focusing on making your dreams a reality. Finally, we'll walk through some of the most common scenarios for financial freedom, including the freedom to work the perfect job or start a business and the freedom to retire from the working world altogether.

By the end of this book, you will have a step-by-step action plan in place so that you can get busy living. Rest assured that your personal financial plan is leading to a life of abundant choice and financial security. Part Two will show you how to "become so absolutely free that your very existence is an act of rebellion"[3] against a status quo that keeps us bound. There are plenty of activities and action steps along the way, so buckle up and get ready to make moves.

YOU CAN'T AFFORD TO WAIT

As I write this book, we are in the midst of a global pandemic. I don't know about you, but I've seen the pandemic take way too many lives, much too soon. I certainly realized life was precious before the pandemic began having, unfortunately, seen folks young and old pass away over the years. But the conditions of today make loss seem that much more painful. Have you ever considered the fact that you won't live forever? It's a morbid thought, but it's also helpful in leading us to put a stake in the ground about our priorities and make the most of whatever time we have.

Why settle for a less-than-optimal existence when you have the tools to make things much more exciting? There's a dream inside of you calling to get out. There are talents you possess that the world needs. There's a woman inside of you yearning to experience true freedom. What's the thing you would want most if you had the time and money to pursue it? There's no time like the present to start putting a plan together to make that dream a reality.

When most of us think about retirement, we imagine working until old age and then finally taking time off to travel and do other things. But where did we get that notion from? Though the economy may benefit from making us work as long as humanly possible, is this the life you really want for yourself? What if all the things you planned to do in retirement were available today? I guarantee that round-the-world trip will be much more fun while you still have some youthful energy. Retirement isn't just about a life of leisure and relaxation either. Most of us would get bored of that after a while anyways. When I think of early retirement, I think of retiring from the obligation to do anything that I don't want to do. What would I do if I didn't have to work? I'd find other more exciting and fulfilling things to fill my time. Make music, write books, travel, help entrepreneurs start new projects, and maybe start a lifestyle-enhancing business of my own. What about you? How would you spend your time if you had the opportunity to "retire" now? By the end of this book, you will know exactly how to make this your reality if you so choose.

The other piece we can't avoid mentioning is that relying too heavily on the job market is a recipe for disaster, a gamble you're better off avoiding. I was working in college financial aid during the fallout from the Great Recession of 2008. I was saddened to see how many families who had been living very well due to stable careers and high-paying incomes were now struggling to make ends meet. Their whole worlds were turned upside down overnight as companies starting laying off some of their most senior employees. Folks who hadn't looked for a job in years were suddenly trying to navigate the job market.

Many millennials entered the job market during this time and can still remember the uncertainty. Some of my peers leaving prestigious law schools were asked by employers to "take a year off" until they could afford to hire again. I hope you never experience a moment of job uncertainty, but it's in your best interest to have a strong contingency plan in place just in case.

As someone with two Harvard degrees and a track record of high achievement, even I haven't been immune to job volatility. In February of 2021, I received the news that I was being laid off from my job. It came as a complete shock. Luckily, I was already following the advice in this book, and I was able to breathe a sigh of relief at the flexibility I would have to take my time and carefully consider what I would do next. I turned down a number of job offers because taking time for a bit of a sabbatical is what felt right for me. Traveling to see friends who'd been in quarantine for over a year, getting this book written, working on my doctoral dissertation, and taking time to relax were the things I decided I'd rather spend my time doing. If you lost your job today, do you know what you would do next? Would you have the financial freedom to make this choice and own it? Trust me when I tell you that you cannot afford to wait. Keep reading and commit to taking action on the advice in this book today.

PART ONE

The master's tools will never dismantle the master's house.

AUDRE LORDE

CHAPTER 1
CREDIT

My mom couldn't contain her excitement. I was headed to college to become our family's first graduate, and I was going to Harvard, of all places! It represented the culmination of years of hard work by both of us, a mother-daughter partnership for the record books.

Throughout my childhood, my mom had worked herself to the bone to make sure I was enrolled in good schools with the resources that matched my potential. She had shown up to countless parent-teacher conferences and advocated for me when racist policies might have otherwise jeopardized my future. She researched options, transferred my sister and me when a school environment no longer suited us, and ultimately enrolled me in my city's gifted program, through which I was able to attend the best public high school in the state.

Not only that, she was my confidante and cheerleader all along the way. When I was stressed, she encouraged me to take breaks, and when I didn't know what to do next, she reminded me that I was smart enough to figure it out. There were countless ways that she supported me so that I could have the freedom to excel at being a student, and this was the result. Harvard, here we come.

In addition to telling everyone she knew (neighbors, church members, the checkout lady at the grocery store...), my mom was excited to make sure I had everything I could possibly need for school. College wasn't our area of expertise, so we scoured store lists of college "must-haves" for ideas. According to retailers, there were all sorts of things that a college student needed. We bought organizers and shower caddies, mirrors and storage racks, underbed bins, rugs, sheets, comforters, pillows of varying sizes, wall posters, lamps, an iron and ironing board, space-saving hangers, a portable full-hood hair dryer, a new laptop computer, and the list went on and on. You may be wondering how we paid for all of this. Well, the title of this chapter is your clue. Even though we had little money for college expenses, we had a solution: credit cards.

It just so happened that every store we went into was kind enough to offer me, my 18-year-old no-financial-history-having self, a brand-new credit card at checkout. Not only that, they offered discounts if I applied then and there to boot. I happily accepted every offer and loaded up on all of the things I thought I needed. By the time I made it to college that fall, I had boxes and boxes full of stuff and a wallet full of credit cards. I was already deep in debt, and I was only 18.

WE ARE DROWNING IN DEBT

A few years ago, I read an alarming article in *The Boston Globe*.[1] Researchers had calculated the net worth of residents across Boston ("net worth" means how much you *own* minus how much you *owe*), and what they found was downright horrifying. According to their research, the average White Bostonian had a net worth of $247,500, while the average Black resident had a net worth of just $8, meaning that Black people *owed* just as much as they *owned*.

When I read that article, my first thought was the sharecropping trap that so many of our ancestors suffered. After slavery ended, Black folks were allowed to rent land from their former owners, but the owners tipped the scales by making their tenants borrow money up front for all of their needs. The landowners controlled the prices of the goods the sharecroppers sold and, through a series of tactics, ensured that their tenants owed more money at the end of the year than at the beginning. The sharecroppers would pay what they could against what they owed, but they always found themselves deeper in debt and never really able to get ahead. They were tethered to the land, and it was simply a new form of slavery by another name.

Today, the average household is thousands of dollars in debt. Just like the sharecroppers of old, we are tethered to our jobs, struggling to make ends meet while making all of these debt payments, causing many of us to give up on the idea of ever being free from this system. Think about what this prevents us from doing. Debt prevents us from taking a job we really want, going on a needed vacation, or even paying for our basic needs at times. It's impossible to live a life of freedom when the shackles of debt hold you down.

Yet, society normalizes this. We've come to expect cashiers to offer us credit cards with appealing sign-up bonuses at checkout. Having worked in retail as a teenager, I remember how hard our managers pushed us to get people to sign-up for credit cards. We were rewarded for how many sign-ups we got. The totals would be announced every evening at closing and every morning when we opened. The number of new credit cards opened was just as important as the amount of merchandise we sold. And retailers have gotten creative with their credit card offerings, changing the language to further entice unsuspecting consumers with "zero-interest financing" and "no money down" on everything from mattresses to airline tickets. Airlines themselves offer free trips to sign up for their credit cards. Poor flight attendants are tasked with traveling up and down the aisles hawking these cards. I can only imagine that they face the same pressure I did working for the Gap —to sell, Sell! SELL!

The sad reality is that if there's something you want to buy today, someone is willing to lend you the money to get it. You don't even have to think about what the real cost will be later down the line—how much of each future paycheck will be spent before you even own it because you're stuck making payments on all of the things you financed.

The icing on the cake of this system is the fact that we're trained to feel proud of ourselves for participating. One of the first goals society gives to young people is to build a strong credit score—to gain access to the ability to go into debt and ensure continued access to more and more over time. The ability to take on debt is viewed as a badge of honor, a marker of adulthood. The moment you turn 18, credit card companies will start seeking you out to sign up. Unfortunately, the system is rigged to make the credit card providers rich (why else would they be pushing these cards so hard?) and ensnare you in a trap that will feel impossible to escape.

THE TRUTH ABOUT CREDIT

The credit card industry is relatively new in the history of consumer financial instruments. It wasn't long ago that you had to save up and pay cash if you wanted to buy something. Consumer goods were once designed to last much longer than they do today, and people spent more time considering the value of a large purchase. The worst you could do was to put something on layaway because you couldn't bring the item home until the bill was paid in full. Americans spent less money and were in a lot less debt.

Everything changed with the introduction of credit cards, an industry that started picking up steam in the 1950s.[2] All of a sudden, people could take what they wanted home immediately while making payments over time. As credit cards became mainstream, the appeal to buy now and pay later increased as well. It's not surprising that, with all that credit, consumer goods became more disposable. We saw the advent of fast fashion and the proliferation of high-cost electronics, designed to malfunction and compel us to buy the latest model. How else could Apple get you to buy a new iPhone every couple of years? And with that, our collective spiral into mountains of consumer debt had begun.

A few years after the popularization of credit cards, the credit score (known as a FICO, named after data analytics company Fair, Isaac and Company) became mainstream.[3] Prior to the 1980s, no one would have even been able to tell you their FICO score (ask your parents), but today, this score is treated as one of the most important numbers you can have attached to your name. Given its now-ubiquitous use in society, it's helpful to know what a credit score measures. Several factors determine your score, but the three biggest are your history of on-time payments, the total amount of debt you have, and the length of time you've been using credit. A high score requires that you regularly use the credit system, consistently make your payments, and keep your balances low.

Sounds fair enough, right? You might be thinking that this system works well for people who aren't crazy enough to spend with abandon and rack up tons of debt, thinking they'll never have to pay it back. Unfortunately, plenty of good, responsible people get caught by the trap that is so well laid by this system. Credit card companies offer appealing sign-up bonuses and perks because they count on you to make a mistake. First, they want you to buy a little more than you can afford, count on paying the bill over time, and face an emergency where you feel forced to put a lot more on the card than usual. Then when you inevitably have a month when you can't afford to pay your balance in full, the companies swoop in with hefty interest charges and late-payment fees and begin to make all of their up-front bonus money back.

And it's not always the case that you have to make a mistake to run into trouble. The rules often change based on what's happening in the economy. During the Great Recession of 2008, when people found themselves relying on credit to make ends meet, many credit card companies decided it was time to reduce or eliminate accounts. Even loyal customers received letters informing them that their credit lines had been cancelled and that payment on outstanding balances was due in full. Deep in the credit card game back then, I still remember the letter I got from American Express informing me that my limit had been reduced. My coveted Amex account that I had been trained to take so much pride in was treating me like I hadn't been a good customer all of these years. And lowering my limit was going to cause my credit score to take a hit due to the resulting increased utilization rate. Customers in more dire straits found themselves unable to pay off hefty balances and faced costly fees as a result, while folks, who were relying on credit to make ends meet, were suddenly left in the lurch. If history is our teacher, we now know that we can count on ups and downs in the economy over time and that credit is an unreliable partner when the going gets tough. You've got to have a better system in place for when emergencies arise.

PREPARING FOR EMERGENCIES

As you can see, most people who think they are good with credit fall into the debt trap when an emergency occurs. Cars break down, unexpected medical bills pop up, and job layoffs occur. It's a matter of *when* and not *if* you will find yourself facing an unexpected expense. These are the times when relying on credit might feel like a convenient solution. After all, who hasn't heard the advice to keep a credit card "for emergencies." But remember, it's a trap.

If you are going to avoid the debt trap, especially in times of emergency, it's best to be prepared. Rather than keeping a credit card for emergencies, a much wiser strategy is to build what's called an "emergency fund." An emergency fund is a pool of money you save up in case something unexpected happens. What's great about having your own source of funding for emergencies is that this money earns interest over time while it sits in your savings account, and when you need to tap into it, it doesn't cost you to use it. Plus, there's nothing like the peace of mind you get from having a pile of money sitting in the bank. What used to feel like a true emergency—a car repair or an unexpected medical bill—is now just a minor inconvenience. You simply pay off the expense and move on with your life. Having an emergency fund in place is required if you're going to make the journey to financial freedom without getting caught by the inevitable snags of life along the way, and you'll experience a lot more peace of mind in the process.

I recommend getting started on building your emergency fund today. There's nothing like how it feels when you've been making progress in paying off debt, and then it's erased by an unexpected expense. Before you do anything else financially, you need to start putting aside money for emergencies. If all you can set aside is a few hundred dollars, that's better than nothing. Continue to add a little bit to your emergency fund each month, and just let it sit. Don't touch it, don't make up emergencies, and don't "borrow" from it promising to pay yourself back. (I've been known to make this mistake.) Over time, work to build up your emergency fund to a level where you feel confident you could handle any emergency that might come your way.

Many recommend keeping savings of three to six months' worth of your expenses, which is typically the amount of time it takes to find a new job if you lost yours today. If you own a house or have other life circumstances that could easily drop a large, unexpected bill in your lap, increase your emergency fund until you're sure you can cover whatever that expense might be. I want you to feel secure in the fact that you will never *need* to use a credit card again.

USING CREDIT CAUTIOUSLY

Now you know what to do for emergencies, that is, *not* use a credit card. It's time to talk about what credit cards are useful for. Unfortunately, we do live in a society where your credit score is used as a measure of your level of responsibility when it comes to finances. Car insurance providers will pull your credit score to determine your insurance rate. Banks will run your credit to determine the interest rate on your mortgage when you buy a house. And landlords will look at your score when considering renting you an apartment.

While choosing to live a life without credit is possible, it definitely makes navigating the world much more difficult. If you never use credit, you will have no credit score, and the number will show up as indeterminable. Companies will resort to alternate means to assess your risk level, like accessing your bank statements and collecting documentation on how much you make each month. This is how banks used to determine your worthiness for a mortgage before there were credit scores, and this process of manual underwriting is still available when a credit score does not exist.

There are plenty of people living happily without a credit score and who don't mind these inconveniences. The peace of mind from knowing they'll never be in debt beats providing a deposit when renting a car or booking a hotel room. Some of these people never opened a credit card, while others swore off credit after digging themselves out of debt and staying out, so their credit scores disappeared after several years. As long as you don't have any judgments or bankruptcies on your credit report, all transactions will disappear after about seven years, and your score will return as incalculable.

However, if you want to take a more traditional route and build a strong credit score, or if you've already started using credit and have a score that's already being tracked, then it's important to create strong guardrails so that you never fall into debt. If you're going to use credit, you might as well have a darn good score. A good rule of thumb for how much to put on a credit card is 30% of the limit or less. This means that if you have a credit card with a $1,000 limit, you won't be penalized if you keep less than $300 on the card. Of course, I recommend "keeping" $0 on the card by paying off your balance in full every month.

A great way to use the system to your advantage—building credit while keeping your utilization rate low and never tempting yourself to spend more than you can afford—is to use your credit card exclusively for predictable monthly bills. Do you have a cell phone bill that you can put on autopay and provide your credit card as the payment method? My recommendation is to find a predictable bill or two, set up your credit card with autopay, and then immediately cut up the card and throw it in the trash. Yep, you heard that right. Once your credit card information is in the bill pay system, you'll never need the card again, and tossing it in the trash ensures you won't be tempted to swipe it for any other expense. Make sure you pay that credit card bill each and every month, never missing a payment, and your credit score will consistently improve over time. This is a great way to use the system to your advantage without falling into its traps.

That initial sum of credit card debt I acquired at 18 was just the beginning for me. I had learned that credit was a great way to take care of expenses big and small, and the amount of debt I owed grew over time. Convincing myself that I would eventually pay it off, my credit card balances ballooned to a whopping $20,000 by the time I was in my 30s and began learning about the dangers of debt. I was so disappointed in myself for the financial mess I had created that I vowed to never put myself in that situation again. I spent years of hard work paying off every penny while simultaneously building up a healthy emergency fund so I could have my own back whenever the inevitable challenges of life came knocking.

Decide today what your personal approach to credit is going to be. Are you bold enough to navigate the world without credit? If not, what guardrails will you put in place to ensure you never carry a balance? Remember how well-oiled the machinery of debt is in this country and treat credit with the extreme caution it requires.

Meanwhile, how is that emergency fund coming along?

Now that we've covered the drawbacks of credit cards, it's time to talk about one of the largest and most common purchases people make: buying a car.

SUMMARY

- Debt today is like the sharecropping system of yesterday—you can never get ahead. If we are going to reach financial freedom, we must see this trap for what it is and avoid the temptation to purchase things on credit.
- The best preparation you can have for emergencies is to set up an emergency fund. Aim to save three to six months' worth of expenses for when inevitable challenges arise.
- If you do decide to use credit cards, treat them with the caution they deserve. Create strong guardrails to prevent yourself from ever carrying a balance.

PUTTING THIS CHAPTER INTO ACTION

1. Calculate your net worth:
    a. What is the value of everything you own (savings, investments, the value of your car, the equity in your home)?
    (e.g., $50,000)
    b. What is the value of any debts you owe?
    (e.g., $150,000)
    c. Subtract what you owe from what you own to find your net worth.
    (e.g., $50,000 minus $150,000 is a negative $100,000 net worth).
    d. The financial goal of this book is to get your net worth as high as possible. Don't despair if that number is currently negative. Keep

reading to learn how to turn the story around and put yourself on the right track.

2. Determine your credit strategy:

    a. Will you use credit cards? **YES** or **NO**

    b. If yes, what are up to three guardrails you will put in place to ensure you *never* carry a balance?

CHAPTER 2
CARS

Who doesn't love the feeling of hopping into a brand-new car and driving off into the sunset? It's an integral part of the American Dream. I can still remember my very first brand-new car. It was December of 2006, and I had just completed my first few months of full-time work after college graduation (Harvard degree, complete!).

I had taken an exciting job at a boarding school in New Hampshire and was thrilled to get to travel around the country telling kids about a kind of high school I couldn't have dreamed up if I tried when I was their age. The job was great, the mission was aligned with my values, and getting paid to travel all over the country was a dream come true. The only drawback was the school's location. During college, I had been living just outside of Boston, a bustling metropolis with a robust public transportation system of buses, subways, and trolleys to get me anyplace I wanted to go. Now I was living in rural New Hampshire and was basically stranded on campus. After a semester of bumming rides off of my coworkers (this was pre-Uber times), I decided it was time to make my first big purchase—a brand-new car of my own.

I jumped right into the car-buying process when I made it home to St. Louis for Christmas. I researched different car models, checking out the interiors and features online, and set my sights on purchasing an affordable sedan, probably a Toyota or a Honda, I thought, since I had heard they were pretty reliable. Terrified of the haggling process, I enlisted the support of my mother and a close family friend to help me out. As these well-meaning adults guided me through the process of buying a car, things quickly went off the rails.

All of my research immediately went out of the window the moment our search began. We had family connections to the Chrysler brand, so we focused our car search there to get a discount. Fair enough, I thought. When we arrived at the dealership, we were eagerly greeted by a friendly salesperson who offered to show us the latest models. I told him that I was fresh out of college, looking for a reliable car to help me traverse the snowy New Hampshire winter roads, and that I was thinking a sedan might be a reasonable place to start. Though I had researched some of the more traditional sedans on the way to the dealership, he ushered us right over to the new model they had just released, the 2007 Dodge Caliber. He explained how it had large tires that would work great in the snow and lots of cool features like a drink cooler in the glove box and a removable flashlight in the back, perfect for someone my age.

With no objection from me or the two adults flanking my sides, we jumped into the car and took it for a test drive. It had that new-car smell we all love, and my family friend commented on how well it drove for a basic model car. And that was it, folks. No further research or discussion was had, and we just as soon decided this was the car I was going to buy.

When we got back to the dealership and were sitting in the salesman's office, we told him I was interested in buying the car. He then happily informed me that my credit was great and I wouldn't need a cosigner. That statement was music to my mother's ears. I still remember the look of pride on her face at the fact that her daughter could purchase a brand-new car all on her own. The salesman asked how much I wanted to pay per month. I simply replied "as little as possible," and he advised me that, to keep costs low, it made sense to sign up for a six-year financing term with a payment of $360 per month. I looked over to my family for a reaction, and they responded, "Oh, you won't still be driving this car in six years anyways. Go for it!"

And just like that, I was the owner of a brand-new car. Somehow getting into thousands of dollars of debt is one of the easiest things to do. The salesman walked us out to the car, which was parked just outside the doors waiting to be driven away. The same car we test-drove was mine in a matter of minutes and I hopped inside and drove away $15,000 deeper in debt and tethered to a monthly car payment for the next six years of my life. A significant chunk of my income had been signed away for the remainder of my twenties, and it would soon become one of the biggest financial regrets of my life.

DO YOU NEED A CAR?

America is a car-buying nation. We own some of the biggest cars in the world and have a complex system of highways to make it easy to drive anywhere in the country. Road trips are definitely a thing here. And even though the cost of gas has risen exponentially over the years (gas was less than a dollar when I turned 16), the ease of getting from point A to point B in a car of your own—the ability to just hop into a car and drive away—is still the dream.

But before we talk about buying a car, it's worth asking yourself if you really need one. (Don't hate me. Just try this idea on for a second, and let's see where it leads.) I've had the opportunity to live in several cities over the years, and what I found was that many major cities have fairly robust public transportation systems. Whether it's the T in Boston, the subway in New York City, or the

BART in San Francisco, many cities make life without a car easy, especially if you can find housing along a public transportation route.

Plus, in many cities, owning a car is more of a hassle than it's worth. Parking is scarce and expensive, traffic is crazy, and the cost of insurance is high. This was certainly my experience living in Boston when I returned there after my stint at the boarding school. I learned that each residential street required a different permit to park on it, that public parking was increasingly hard to come by, and that ticketing people in violation of permit regulations and parking meter limits was a big source of revenue for the city. I swear I paid more in parking tickets than I paid in car payments. Not to mention the hassle of moving your car during street cleaning, which seemed to occur every other day, and removing your car from the streets during snow emergencies. My car was towed multiple times because I forgot or was unable to move my car during these time windows, which resulted in hundreds of dollars in tickets and towing fees—in addition to the trouble of finding someone to give me a ride to pick up my car. Something had to give. Either I was giving up the car or leaving Boston altogether.

What about you? Do you live in a city with a robust public transportation system? If the answer is "no," I can also relate. I grew up in St. Louis, Missouri, so I'm quite familiar with the mass transit realities of most cities across the country, where bus routes take hours to navigate, and the public transportation system is something you'd rather avoid. Even if you live in one of these cities, there are still ways to get by without owning a car.

The biking movement is one of those ways. Painted biking lanes are popping up in cities all around the country, and people have found creative ways to use their bikes as regular transportation. That might mean choosing to live biking distance from work or buying a wagon attachment to carry groceries home from the store. There are also health benefits to biking since you're essentially working exercise into your daily commute. If you're looking to trim your budget and take care of the environment while you're at it, buying a bike is probably one of the best choices you can make. And if you want an electric bike, it is still a lower-cost option than car ownership but requires less physical effort. (I'm looking at those of you who don't want to sweat out your hair.) These are an affordable option, and all you have to do is sit and ride.

If you choose not to own a car, you can always rent one for bigger trips while avoiding the ongoing cost of daily ownership. Think about it—most people's cars sit parked on the street or in a garage for the majority of the day. What if you only paid for the time that you were using the car? Choosing to catch a Lyft for quick trips or joining a carshare membership like Zipcar allows you to reap the benefits of car use without the hassle and expense of ownership. After all, owning a car comes with many headaches. Every time you take your car in for an oil change, you put yourself at the mercy of unscrupulous mechanics who seem to consistently conjure up maintenance problems in need of urgent repair. The cost of ownership includes your car payment, insurance, gas, regular maintenance, and a growing number of repairs along the way. If you live in a situation where avoiding car ownership is possible, count yourself lucky.

Remember, this book is about mindset shifts. We are raised to believe that owning a car is a definite necessity, yet people live car-free all over the country and enjoy themselves in the process. Many of these people are Black. Did you know that about 1 in 5 Black households in America get by without owning a car?[1]

I have a Black male friend in New Orleans who lives this way. He's the CEO of a national organization, so it's definitely a lifestyle choice and not simply a financial one for him. He rents an apartment near some of his favorite shops and restaurants, making it easy to walk to a coffee shop or go grab a bite to eat. He works about five miles from home and rides an electric bike back and forth, swiftly navigating through the car-lined streets to get to his downtown office and saving plenty of time in the process by avoiding traffic bottlenecks.

Whenever he needs to travel farther away for big shopping trips or entertainment, he books a Lyft. It saves him time on finding or paying for parking when he gets there, and he enjoys the feeling of having a ride available "on-demand" whenever he wants one. New Orleans isn't a city known for having a robust public transportation system, but he's been making it work there for years and wouldn't have it any other way.

CAR LOANS KILL FREEDOM

Did I convince you to try a car-free life? Okay, maybe you're like most Americans and believe owning a car is a necessity (I'm not judging you. I admit that I, too, own a car). For most of us, it's not the *owning* part that causes the problems; it's the *financing*. Financing is how most people buy cars these days.[2] We go to a dealership and drive away in a brand-new car with a hefty monthly payment tethered to us like a ball and chain for the next several years. It's a bit too easy, isn't it? Ever wonder why that might be the case?

Let's do the math. The typical new car loses nearly *half* its value within the first three years of ownership (42% on average[3]). That means that for every $10,000 you spend on a new car, you're essentially tossing $4,200 right out of the window as you drive away. I don't know about you, but I can't afford to throw that kind of cash away. What's worse is that financing a car that's dropping in value like a rock means you are immediately underwater on your loan from the moment you drive the car off the lot. Being "underwater" means that you owe more than the car is worth. So even if you wanted to sell your car, you wouldn't be able to sell it for enough money to pay off the loan. You're essentially stuck in that car loan for years—which is all too reminiscent of the sharecropping example we talked about earlier, if you ask me. Far too many people wish they could sell their car and be free of that debt, but can't because of how little their car is worth compared to how much they owe on it.

Then there's the cost. The average monthly loan payment for a new car today is over $500.[4] And that doesn't even factor in your car insurance payment, which is at its highest for new cars. I can still remember how one of my students, a freshman in college, had been encouraged by her parents to buy a new car. She didn't buy just any car either. She went and financed a brand-new Acura. This girl was paying over $800 a month for that car while going to school full-time and working a minimum wage job on the side. I told her that, even as the director of a nonprofit, I couldn't afford an $800 car payment. I wondered if her parents even realized the massive burden they were saddling their child with by encouraging her to make this purchase.

Whenever I talk to people who are strapped for cash, I ask what they're spending their money on, and a massive car payment is usually on the list. By the time you include the cost of gas and any maintenance or parking, you've tied up a good chunk of your monthly budget in car expenses. Not only does this weaken your ability to save for emergencies or other costs, but it significantly limits your ability to build wealth and reach financial freedom. If a car payment is currently a part of your monthly bills, think about getting rid of it as soon as possible. Those car dealers may have tricked you once, but let's make sure they don't have the last word.

BUY A CAR THE SMART WAY

If you believe that owning a car is the right choice for you, let's make sure you have the knowledge to buy one the smart way. There are two simple rules of thumb to make sure you fully own your car and that it doesn't own you. The first rule is to *always buy used*, and the second rule is to *only pay cash*.

Does the thought of buying a used car give you anxiety? This is the concern that I often hear in response to the idea of buying used. Buying new just feels safer because you are confident in the quality of the vehicle, plus it comes with a new car warranty. When people think of buying a used car, the opposite conditions come to mind. We think of some old broken-down hooptie with missing hubcaps, a broken carburetor, and a high likelihood of breaking down on the highway as we try to drive the thing home. Now you know that's a bit extreme and that every used car on the market isn't a lemon in disguise. The question is, how do you go about buying a used car while making sure you get a good deal on a quality vehicle?

Let's think about where many used cars come from in the first place. In addition to the old clunkers that people get rid of as a last resort, many used cars come from high-flying consumers who prefer to upgrade vehicles every few years. Consider the fact that many Americans choose to lease a car instead of buying one outright—a terrible idea if your goal is to free up money in your monthly budget. This means that car dealerships tend to have a healthy supply of three-year-old cars (remember the aforementioned three-year value drop) that need selling. These cars often show up on sale under the designation "certified pre-owned," meaning that the dealership stands behind the quality of the vehicle and will provide a warranty with purchase.

But it's not just the certified pre-owned vehicles that come with warranties. Many dealers, be they brand dealerships that sell both new and used cars or rental car companies that sell off their fleet every couple of years, will offer an extended warranty with your purchase. If you have the money for a car and want to avoid throwing away cash on a brand-new model, consider buying one of these lightly used cars and rest easy knowing you got a good deal with a warranty to fall back on if needed. Use Kelley Blue Book (an online database you can access at kbb.com) to look up the car you're interested in and find the amount you can expect to pay. This database lists prices based on whether you're buying at a dealership or in a private sale and can give you an idea of fair pricing. For those of us who'd rather die than spend time haggling at a dealership, there are plenty of options cropping up from the no-haggle pricing at places like Enterprise Car Sales to online purchasing through Carvana. Kelley Blue Book will help you know you're getting a good deal, and the warranty you receive with purchase will give you peace of mind.

If you're more of a car-buying enthusiast and enjoy the art of haggling, your best bet is to buy directly from a seller on the private market instead of going through a used car dealership.

Dealers mark up the prices on their vehicles to ensure they make a profit, so you'll always get a better deal through a private sale. If you want to go the private-purchase route, use Kelley Blue Book to look up the value of the model you're considering and Carfax to look up the vehicle's history, including any collisions. And always take it to a certified mechanic for inspection *before* inking the deal. There's more risk in buying a car on the private market, but also more reward in terms of savings by taking this route.

Both options above include the understanding that you plan to pay cash for your purchase, but what if you're low on cash? We'll assume you've considered your finances and truly believe that owning a car is best for your situation, but you can't afford to buy a lightly used car with cash. Perhaps you're thinking that financing a car is your *only* option. I mean, who wants to deal with the maintenance of an older car?

I'm going to give you some tough love and tell you something you may not want to hear. If you can't afford to pay cash for a car, you can't afford a car. Please, please, please don't fall for those sleazy ads promising a car to anyone with bad credit or no money down. It's a scam, sis. These people aren't out to help you. They are aiming to make money off of you. The interest rate alone will set you years behind on your goals, and the terrible conditions of the loan will mean you're underwater and unable to get out of that deal for years to come. I know we live in a microwave society where we expect everything right now, on-demand, but there's power in taking the slow cooker route to get the things you want in life. Hey, the flavor's better that way anyway.

Here's how to take the slower route when it comes to car ownership. First, start with what you have as a budget, then see how much cash you can add to it. Hold a garage sale, work some extra hours at your current job or a new side gig, essentially do whatever you can to save up the money you need to buy a cheap used car. This car might end up being one of those hoopties we talked about earlier, but there's no shame in starting out with what you can afford and working your way up from there. The key is not to get stuck with that car forever. Just keep on saving, working extra hours, and socking away any extra cash you can find. In a few months or perhaps a year, you'll have saved enough to sell that hooptie and to buy a nicer version. Continue working the process, saving and trading up, until you've made your way to owning a lightly used car. When it comes to finances, slow and steady wins the race. Making sacrifices in the short-term to set yourself up for financial freedom in the long run is the smartest move you can make.

That new car that I bought years ago ended up costing me an additional $5,000 in interest, not to mention all of the money I spent on insurance, gas, maintenance, parking, and an endless stream of parking tickets (thanks, Boston). I still owed more on the car than it was worth when I started my debt-free journey, and I was definitely annoyed by the fact that I couldn't simply sell it and free myself of this hefty monthly expense in one fell swoop. Instead, I started increasing my payments with the goal to get the car paid off as quickly as possible.

When I did pay it off months ahead of schedule, I finally experienced the freedom of living without a monthly car payment. I had so much extra cash each month. Just imagine what you could do with an extra $400, $600, or $800 a month. Heck, you might even want to splurge to celebrate. Buy yourself a good dinner, purchase that designer bag you've been eyeing, treat yourself to a self-care day, or even save up for a nice vacation. (If you're good at finding deals, you can do them all in the same month.) After that, throw that extra money at your long-term goals.

After paying off its loan, I went on to drive that car for years while constantly padding my savings account with the extra cash. My car finally died in the summer of 2019, almost 13 years from the day I purchased it. I reflected back on all of our memories together, of traveling the snowy streets of New Hampshire, carrying all of my belongings on multiple cross-country moves, first kisses and dates, new houses and apartments, and hurricanes, earthquakes, and blizzards galore. That car carried me through my 20s and into my 30s, and I was grateful. I thanked my car for all of the memories we had shared over the past decade, then I sold it to CarMax for $1,000. Next, I got a ride to a used car dealership and purchased a lightly used vehicle in cash.

As you have learned, a lot of people waste a lot of money on poor car choices, tying up large percentages of their monthly budgets on car payments for years on end. Now that you know how to avoid this common trap, it's time to talk about another form of credit that doesn't get nearly as bad of a rap: student loans. We're told that if there's any reason to go into debt, education ought to be it. As you might imagine, I beg to differ. In the next chapter, we'll talk about how to earn a degree the financially responsible way.

SUMMARY

- Consider if you really need a car. Public transportation, Lyft, ride-sharing programs, and biking are viable alternatives that can save tons of money while benefiting the environment and your health.

- If you do decide to own a car, remember to buy a used model and pay cash. Save until you can afford one; feel free to start with a cheaper car then upgrade over time.
- Have you already bought too much car? Run. Seriously, get yourself free from that ball and chain as soon as possible. Start saving now and make a plan to get free.

PUTTING THIS CHAPTER INTO ACTION

1. Think about how to live life without a car. What are some ways you could get around your city without one?
2. If you own a car, how much is it currently costing you? (Add up the monthly payment, insurance, gas, parking, plus estimates for repairs, inspections, and registration.)
   (e.g., $500/month)
3. If you didn't have a car payment, what else could you spend that money on?
4. If you don't own a car and car ownership is your goal, how much money have you saved to put toward buying a used car in cash?
   (e.g., $7,000)
5. What used models are a good fit for your budget? You can look on used-car websites like Enterprise Car Sales to see what they have. List three options.

CHAPTER 3

EDUCATION

So far, we've talked about two of the most common sources of debt: credit cards and car loans. I hope you've taken a moment to reexamine your beliefs and practices in these areas and perhaps decided to make some drastic changes in how you approach the use of credit and the process of buying a car. At the very least, I hope you've considered reducing any debt you might have or created a plan to continue avoiding debt if you've made it this far without acquiring any.

Now let's talk about one of the most important topics for upwardly mobile Black women like ourselves. That topic is education in general and student loans in particular. The cost of higher education has skyrocketed over the years as federal and state governments have increasingly divested their financial support, and colleges responded by transferring responsibility for costs over to students in the form of increased tuition and fees. Simultaneously, just as costs rose, the number of students choosing to pursue a college degree rose as well. Today, a majority of high school graduates will enroll in at least some college during their lifetimes (though most will not earn a degree). More students mean higher costs for colleges, which are passed on as higher tuition. This combination of factors—in addition to predatory lending practices—has resulted in today's student loan crisis.[1]

THE TRUTH ABOUT STUDENT LOANS

With all the news reports on the debate over student loan forgiveness and the high cost of education, you might find yourself asking if higher education is worth pursuing at all. The answer is a resounding *yes*. Research shows that adults who've earned a college degree have higher lifetime earnings and are less likely to remain unemployed after losing a job than those without a degree.[2]

These stats are especially relevant in times of economic crisis. During the most recent economic downturn caused by the global pandemic, the majority of people who faced long-term unemployment were those in low-skill jobs that did not require advanced training.[3] Restaurants and service-industry companies closed down for lengthy stretches when much of the everyday business of life was put on hold. While thousands of workers were laid off, people in white-collar office jobs kept business running as usual as they transferred to working from home. While there are many exceptions, the numbers show that having a college degree made a difference for the average American during that scary time in our world.

This doesn't mean that all degrees are created equal or that you're guaranteed a six-figure salary if you go to college. But it does mean that earning a degree—if you can avoid crippling debt—is often one of the smartest choices you can make professionally and financially. A college degree serves as an insurance policy of sorts. Many college graduates aren't even working in the field they studied, either because they pursued a liberal arts education that was intentionally not aligned to professions or because they chose to transition to a different field at some point down the line. In either case, the degree is what opened the doors to higher-paying, more secure, and often more fulfilling opportunities.

Given the value of a college degree, many people assume that taking out loans to fund your education is a good idea. There are raging debates among school counselors about how much debt is too much and how best to advise students and families on evaluating the cost of a degree versus probable future earnings. The problem with this analysis is that we are talking about human beings here. Humans change their minds, discover new interests and passions, and rarely wind up sticking with their first major or working in the field they had in mind when they started their college journey.[4] Yet, they will always suffer the consequences of the psychological burden of debt regardless of how much money they earn after graduation. (There's also the sad reality that many people who go to college will not finish, and there's nothing worse than having no degree *and* student loans to repay.)

Despite the value of your degree to your post-college earnings, monthly student loan payments have the same impact on you as credit cards and car loans. They eat away at your paycheck each month, limiting the amount of money you have left over for savings and investments. But that's not all. Unlike other forms of debt, the student loan system has loopholes designed to keep you indebted for decades. Given the numerous payment plans and forbearance options available with federal loans, many people get stuck in the student loan vortex, making payments for years without seeing any change in the amount they owe. These borrowers end up paying thousands of dollars in interest over the years. What's worse, student loans are some of the stickiest forms of debt around—even if you file for bankruptcy to eliminate all other debt, you will still have to repay your student loans because they are considered non-bankruptable.

Trust me and the millions of Americans who are struggling with student loan debt today. Taking out loans to pursue your education is simply not a good idea. If you're reading this book, chances are you've already completed college and are currently repaying loans. If this is you, don't fret. You're in good company;

and the next chapter will help you with the process of getting out of debt. But even though you're done with college, I would still recommend giving this chapter a read so you can educate yourself on how to earn a degree debt-free and pass this advice on to all of the young people you know. The truth is that friends and family are the most common source of college-going advice, and we've got to make sure that the younger folks following in our footsteps don't make the same mistakes.

HOW TO GO TO COLLEGE DEBT-FREE

Despite what you may have been led to believe by our debt-burdened society, earning a college degree without going into debt is completely possible. There is a range of options available based on your academic background and family finances. Don't feel bad if you haven't heard of these paths before. The typical high school guidance counselor is overworked, underpaid, and usually untrained in college access. With hundreds of students on a typical caseload, it's nearly impossible for the average public school counselor to provide individualized college guidance.

And it's not just public school students who suffer. Private school counselors may also have blind spots, often because they are unfamiliar with opportunities reserved for students of color or unaware of financial aid and scholarship options for lower-income families. I've heard from just as many public school graduates as private school grads about the lack of quality college guidance they received from their high school counselor. This isn't to vilify those professionals, but to encourage you to do your own research and chart out a smart path for your education and your financial future.

There are two important things you need to know to attend school debt-free. The first is how much the school actually costs. Universities and colleges have what's called a "sticker price," which is its published tuition and fee rates. But there is also a "net price," which is the amount you would be asked to pay given your specific financial and academic circumstances. You can find the net price for any school by googling the name of that school plus "net price calculator."

Every school has a net price calculator on its website, usually in the financial aid section. This calculator can give you an idea of how much money you will actually need to cover the bill. Once you know the true cost of attendance, next you'll need to figure out how to pay for it. Here is a quick summary of the types of funding available based on certain characteristics:

College Funding Sources

Student Background	Funding Sources
Talented	Merit Scholarships
Low-income	Need-based scholarships
Low-income, high-achiever	Colleges that meet 100% of need
Middle-income, middle-achiever	Outside scholarships & cash flow

MERIT SCHOLARSHIPS

If you are talented academically, athletically, or musically, merit-based scholarships will be your first line of offense. Academic scholarships are typically awarded based on your grades or test scores. These types of scholarships come from a number of sources. The two most common are from the college itself and from national organizations like the National Merit Scholarship Corporation, which awards National Merit Scholarships to students who score well on the PSAT exam in 11th grade. (This exam is worth studying hard for given its use for scholarship eligibility.)

Most colleges that award merit scholarships will list them in the financial aid section of their website, along with the steps to apply and any requirements to qualify. There are also many private scholarships that award money based on factors that include academic merit. The Jackie Robinson Foundation and the United Negro College Fund are two organizations that award millions of dollars each year to Black students for college. And there are plenty of other scholarships that aren't limited to students of color. Corporations like Coca-Cola and foundations like the Gates Foundation provide scholarships to high-achieving students. If you are a good student, when it comes to funding your college education, the world is your oyster. Many colleges and organizations are dying to give you money if you take the time to apply.

Scholarships are also available to student-athletes and musicians. Colleges often recruit athletes and musicians based on their talents and abilities, awarding scholarships to encourage attendance. Music and band scholarships are among the most common forms of merit-based awards. Suppose you attend a high school with strong programs that support your talent. It's likely that your coach or band director has relationships with recruiters from local colleges and can give you more information on your chances of being recruited and the process of getting on your desired college's radar. If you can't get any information from your high school, it never hurts to reach out to colleges directly. Many colleges with strong band programs will list their scholarship requirements and audition process on their website so you know how to apply. Similarly, reaching out to coaches directly, especially at lower-division schools, might result in an opportunity for you to demonstrate your talents and earn a spot on the team.

NEED-BASED SCHOLARSHIPS

If you come from a low-income family, need-based scholarships are an important addition to your list. "Need-based" means that the scholarship will be based on your family's financial background, so the more your family *needs* financially, the more scholarship funding you will receive. The most common source of need-based financial aid for college is the federal government, followed by any need-based funding that may be available from your state or from the college itself in the form of institutional aid.

To gain access to federal grants, you must complete the Free Application for Federal Student Aid (FAFSA) online at FAFSA.gov. This form will ask a series of questions about your family's finances, and your parent(s) will be able to link the form to the tax return they most recently submitted to make the process of verifying their financial information easier. (If you are over 26 or meet other criteria to be considered "independent," the award will be based on your finances alone.)

The FAFSA opens every October for the following school year. Once you complete and submit it, you will receive a notification about how much scholarship funding you qualify for through the Federal Pell Grant program. The Department of Education administers need-based grants for college students, and the Pell Grant is the most popular. As of the writing of this book, the maximum Pell Grant award is just under $6,500 per year, and given the direction of current legislation, this amount should continue to increase over time.

In addition, once admitted to college, you may receive more grant funding as part of your financial aid award, including additional federal, state, and institutional grants. Your desired school's net-price calculator will probably include any funding you can expect from federal and state sources, so use this information to determine how much money after grants that you might need. (If your family is low-income, but you're more of a middle achiever (or lower achiever) academically, then skip to "Students Who Don't Fall into a Category," which discusses how to compare the costs of local schools and maximize how far your Pell Grant and other federal and state aid can take you.)

LOW-INCOME HIGH-ACHIEVERS

If you are a high-achieving student from a low-income family, you will have access to some of the most well-regarded institutions in the country, many of which will provide you with a full scholarship upon admission. The most selective colleges tend to have lots of money available for financial aid as well as a value for making sure that no student who is admitted is unable to attend due to finances. This means that the more money your family needs, the more the college will give you. These colleges also tend to place a high value on equity, so they ensure that students from every socioeconomic background are represented at their schools. Coming from a low-income family is a big plus for your application if you have the grades.

To find a list of colleges that value your contributions as a low-income, high-achieving student enough to provide full funding if you are admitted, google "colleges that meet 100% of demonstrated need." There are about 75 colleges on this list as of today, so you should have no problem attending one of them for free. There are also plenty of scholarship programs that target students like you. A few of the coolest ones are the Ron Brown Scholar Program, the Jack Kent Cooke Foundation, and QuestBridge. All three of these programs also provide advising support to help you with your college and career journey, so definitely consider applying.

STUDENTS WHO DON'T FALL INTO A CATEGORY

If none of the categories above apply to you, never fear. Going to college debt-free is still very possible. We sometimes forget that colleges are businesses and we are their customers, so it is our responsibility to shop around and find the best deal. The first place to look is at the cost of the public colleges in your state.

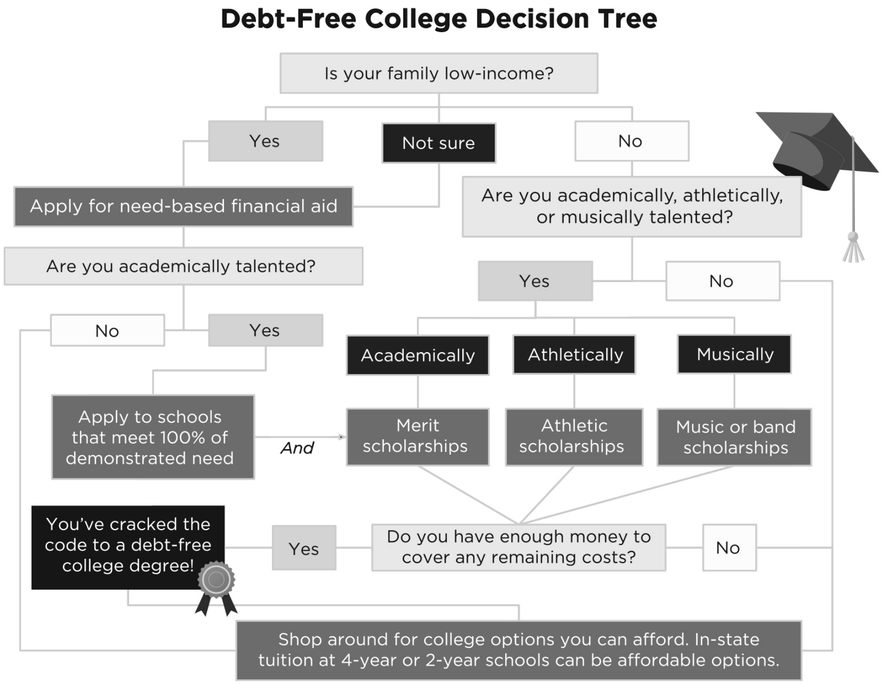
As residents of your state, your family has been paying taxes into the state system, which means that you are eligible for subsidized tuition rates reserved for in-state students. This is known as in-state tuition—you'll notice out-of-state students are charged a lot more—and this reduced tuition is a real benefit in terms of keeping costs down. If the four-year public schools in your area are a bit out of your price or academic range, consider starting at a local community college. Community colleges are two-year programs that don't have all of the bells and whistles of four-year schools, so tuition rates tend to be much lower. If earning a bachelor's degree is your goal, complete the first two years at a community college while attaining an associate degree at a much lower cost. Then transfer those credits to a four-year school to complete the remainder of your bachelor's degree. This is a really smart option for those of us who are cost conscious and may not have additional scholarship funds to cover the bill.

Also, when going the public college route, don't count yourself out from getting additional scholarships for school. There are plenty of local and regional scholarships that may not have difficult academic requirements or are reserved for students with your academic or career interests. Your high school counselor may have a list of local scholarships in their office (many local scholarship providers simply mail out information to high schools to spread the word). There are also plenty of websites where you can search for scholarships online. Public colleges and universities, including community colleges, often offer scholarships as well. Many times, students don't even apply for these. Make sure to take a look at their website's financial aid section to see what's available.

PUT THE NUMBERS TOGETHER

Once you find the best deal—the college that offers what you want to study at the most affordable price—then it's time to create a budget and a plan for earning the money you need to cover the bill. I'd recommend getting started by saving as much as you can while you're in high school from part-time jobs. If you're already out of school and working full-time, this advice still applies. Even if you sign up for a payment plan for your tuition, you will need to purchase your books up front, so starting off with at least $500 in savings would be really helpful.

If going to college debt-free is important to you and none of the above options work for your budget and needs, there are still ways to make it work. Maybe your family situation is such that you need to work full-time or have other circumstances that prevent you from going to school right away. Many employers and programs will subsidize or fully cover the cost of education for their employees. For example, AmeriCorps is a government-funded program where you get to work for an organization with a service-oriented mission and receive a modest living stipend in addition to educational funding upon completion. An example of a company that supports its workers with college costs is Starbucks, which covers tuition costs for employees to earn up to a bachelor's degree online from Arizona State University. Enlisting in the military is also a popular route for students who don't mind signing over their lives to the government for a few years in exchange for benefits, including college funding. The truth is that there are many pathways to a free (or affordable) college degree so that you can avoid student loans and set yourself up for a solid financial future.



MAKE GOOD CHOICES

We've talked a lot about education in the context of cost in this chapter, which of course, is not the only factor. I caution you to base your educational choices on what you want to do and not on money alone. These are some of the most important life decisions you get to make and will have a lasting impact on what other choices are available to you for many years to come. Unfortunately, way too many people who want to attend college and are smart enough to get in at low cost or free give up too soon because they think they can't afford it.

Most of our parents did not go to college, and only about one-in-three adults in this country have a bachelor's degree or higher. For Black Americans, that number is closer to one in four,[5] which means that our families may not have the experience or information to help navigate this process. A lot of folks who mean well end up giving terrible advice. Even people who went to college themselves may not have the most accurate information on all of the options. I had a teacher advise me to go into the military instead of to college after high school because she knew my family was low income. Heck, even Michelle Obama's counselor told her she wasn't Princeton material. (She went to Princeton for college and Harvard for law school, by the way).

Our economy transitioned from being factory-based to being service-based decades ago, which means that most of the good jobs available after high school dried up. College degrees became the new standard for entry into most middle-class job markets. And we are now living in the knowledge-based economy. So do what you can to get educated and then follow the career advice I give later in this book to make sure your education pays off in the form of a high-paying job and a meaningful career. Even if early retirement is your goal, you'll get there quicker and enjoy the journey more if you take the degree route.

WHAT ABOUT GRADUATE SCHOOL?

Okay, so you've already completed college (for free or mistakenly with loans). Now you're thinking about graduate school. Is it possible to earn a graduate degree debt-free? Of course, it is. It's just a bit more difficult, depending on the type of degree. The good news is that you're a whole college-educated adult, and this is *figure-out-able*.

Let's start with a discussion about graduate school financial aid. There are a couple of important differences between how financial aid works in college versus how it works in graduate school. First, as a graduate student, you are no longer eligible for the federal grants that college students receive (the Federal Pell Grant is only for study up to a bachelor's degree); aid from the government tends to come in the form of loans. Second, universities often use their graduate programs as money-makers (remember that universities are businesses). This is especially true for master's degrees, which rarely come with any financial aid from the school and professional degrees (like MDs and JDs), which tend to boast some of the highest price tags around. These pricey programs often help subsidize other programs and expenses at the university and otherwise help pad the bottom line.

The first question you should ask yourself is if you really need a graduate degree. Many people assume that earning a master's degree is a good idea, regardless of the field. The thinking is that if a college degree was a good idea, one more level of education is the next best thing. I disagree. Beyond a college degree, it's time to start doing more directed research about which, if any, additional degrees are *required* for the specific jobs that interest you. Unlike college degrees, which can be liberal arts or pre-professional but are generally respected as an entry-level credential for most middle-class career paths, graduate degrees are for specialization. Instead of assuming you need a graduate degree, make sure that you check your intended job's requirements. You may start to notice the word "preferred" instead of "required" next to master's degrees in many job descriptions, meaning that your professional experience and accomplishments can be just as valuable. And definitely don't pursue another degree (on loans) if you're merely bored or looking to pad your resume.

If you've done your research and concluded that a graduate degree is necessary for what you want to do, the next thing to consider is the level of selectivity required for the career you want to pursue. This will help you run a cost-benefit analysis to understand how much you should spend on your degree compared to what benefits, career-wise or salary-wise, you expect to receive. A cost-effective credential may be a wiser choice over a costly, fancy degree.

For example, I spoke with a young woman interested in making a career transition into nursing. She knew she needed a nursing credential to get hired in the field but was having a hard time finding a program that she could afford. I asked what types of programs she was researching, and all she named were expensive private schools. She had been searching for schools similar to the one she attended for undergraduate, a private liberal arts college, but was having trouble finding programs that offered the same level of scholarship funding she received for her first degree.

I reminded her that she didn't need a private school education to enter the field of nursing; she just needed the credential and training adequate to help her pass the licensing exam. I helped her research affordable options that offered the exact same credential at a fraction of the cost. Many advanced degrees lead to careers that require a license. In these cases, licensing exam pass rates are a much better indicator of program quality than any of the other metrics. If all you need is a credential and a range of schools offer it, choose the best option for your budget that still meets your professional needs and will help you gain entry to your desired role.

PROFESSIONAL DEGREES

Next, let's talk about some of the most expensive degrees around—the Master of Business Administration (MBA), the Juris Doctor (JD), and the Doctor of Medicine (MD). People who have hundreds of thousands of dollars in student debt usually attained one of these degrees. The financial rewards of working in these fields can be high (though not always), and the social rewards of being able to claim that you're a doctor or a lawyer are certainly appealing. Plus, these programs can be fairly difficult to get into. This combination of factors creates the perception that earning one of these degrees is worth almost any cost.

If you're smart enough to be pursuing one of these degrees, you're also smart enough to cut through the marketing and social messaging to make a wise assessment of return on investment. Do you really want to practice law? Are you using your MBA to get a high-paying finance job, or are you more likely to work in a middle-income role instead? What does the job placement rate look like coming out of the program you're considering? Professional degrees should be closely linked to employment outcomes, so you want some sort of guarantee that you have a high likelihood of getting the job you want after graduation. (Professional programs publish this information on their websites.)

With this information in mind, it's time to map out your financial plan. At this point, you should be an expert on your desired school, career path, and potential employer so that you can use all of this information to your advantage. For example, let's say that you are interested in a degree at a regional school that has a close relationship with a local employer because it hires a bunch of its graduates. We'll assume the Boeing company tends to hire graduates from the MBA program at Saint Louis University. You might ask yourself, does Boeing offer any tuition support for its employees? Would it benefit me to get a job there—even in a position below my target position to qualify for tuition support—

then earn my MBA at Saint Louis University with the agreement to return to Boeing after graduation?

Here's another different example. Let's say you have your eye on a corporate role that tends to recruit from highly selective schools with hefty price tags. You don't have a fancy undergraduate degree to help you and can't come up with another way to get into the company without graduate school but need to find a way to pay. As a Black woman, there are professional organizations that might be willing to pay your way in order to expand access to folks from our community. One example is The Consortium for Graduate Study in Management. This organization provides full scholarships to Black students to pursue MBAs at some of the most selective institutions in the country. Schools like the Yale School of Management and Dartmouth's Tuck School of Business are listed as partners. Get to googling and networking to see what types of scholarships and professional organizations might be of benefit to you for your desired path.

Okay, let's do one more professional example and talk about medical school. Medical school is interesting because there are a number of paths you can take to a low-cost degree. Many medical schools offer scholarships for Black students in order to drive equity in the field. There are also high-demand fields in medicine, such as the need for primary care doctors in certain rural areas. The National Health Service Corps is a great program to consider if you're interested in filling a high-need role in exchange for full tuition.

There is also a growing trend among medical schools to offer tuition-free programs. New York University and Cleveland Clinic are two medical schools that are completely tuition-free, and other schools have started covering tuition based on financial need. Yet another popular option is to pursue your medical degree through the military. You can earn a scholarship up front by agreeing to a certain number of years of service post-graduation, or you can join as an officer using your college degree and pursue medical training while you serve. Creativity is the key, and again, there are plenty of no-cost and low-cost options for folks willing to do the research and find an option that matches your goals.

I hope you are starting to feel hopeful about avoiding debt while pursuing your graduate education. And hey, if you're a lifelong learner like I am and want to pursue another degree for your own personal and professional growth, I'm all for it. If you can't find a program that provides full funding or an outside scholarship to cover costs, just save and pay cash or work out your budget so that you can cash flow your education out of your salary as you go.

LEARNING FROM MY MISTAKES

I was lucky to attend Harvard College on a full, need-based scholarship due to how little money my family earned. Although I *did* graduate from college with debt (remember all those credit cards I opened?), I'm happy to say that none of it was in the form of student loans. Unfortunately, my student-loan-free streak didn't last.

A year later, I decided to return to Harvard for a master's degree. I was still in debt-accumulation mode back then and didn't even think about working to pay the tuition or about seeking out any scholarships to help foot the bill. If I had been wise, I would have waited to do my degree until I was a Harvard employee a couple of years later, when I would have been entitled to discounted tuition. Instead, I took out the full cost of attendance in loans. Big mistake. I didn't think twice about how long it would take me to pay it off. I was just happy to be in school earning another degree.

Paying off those nearly $60,000 in loans was quite a journey. I signed up for different loan-repayment plans that reduced my monthly payment, not realizing that I was paying a ton of interest and barely making a dent in the overall balance. I even took out forbearances a couple of times, either while transitioning jobs or when I felt like other expenses were more important. Needless to say, after years of making payments, my balance wasn't much lower than when I started. Once I realized those loans weren't going anywhere unless I buckled down to get them paid off, I decided to refinance them into a low-interest private loan (I used a company called SoFi). This may not be the best path for everyone, but I was fed up and wanted a guaranteed way out. I figured that, with a private loan, I wouldn't be able to find any excuses to delay payment because now all of the different payment plans and forbearance options had disappeared. Just like I was forced to make my car payment every month, I'd have no choice but to pay this as well. I started chunking payments toward my loans, some months paying a lot more than the minimum, and always sticking with the schedule to get those loans paid off for good. I made my final student loan payment in January of 2020, nearly 12 years after completing my degree. That final payment was a tremendous weight lifted, and I vowed never to take out a student loan again.

As I'm writing this book, I am in the process of earning my doctorate. This time around, I decided to enroll in a public university and foot the entire bill in cash. I briefly considered returning to Harvard for my doctoral work since all of their doctoral programs are fully covered with scholarships, but my

ROI (return on investment) calculation made me think twice. I was already earning well into the six figures and doing work that I enjoyed, so the degree wouldn't be helping me catapult into a new earnings category or access a different type of job. I also admitted to myself that my desire for this degree was more of a want than a need at this point in my career. For me, it made more sense to continue working full-time instead of taking a break to become a full-time student again. I found a program at a top-ranked public institution with a foundation in social justice leadership, which allows me to pursue research related to my professional work. It's the perfect fit for my interests, my needs, and my financial goals.

I hope I've challenged your thinking about student loans and convinced you to avoid them at all costs. If there's anything you can learn from my mistakes, it's that getting into debt for school is easy, but getting out is one of the hardest things you'll ever do. If you're already done with school, let's take on the role of the wise mother or auntie and make sure no young person in our circle of influence ever goes into debt for their education. There are plenty of options, from local public schools to Ivy League institutions, that are available for a low cost or no cost at all. I'm also encouraged by the fact that those of us reading this book will be stacking our coins, building real wealth, and putting ourselves in a position where we can pay someone's tuition. Scholarships aren't the only way to go to college debt-free. Family cash works just as well and is one of the best investments we can make in the next generation.

SUMMARY

- Where are you in your educational journey? Are you choosing between colleges or thinking about graduate degrees? This will determine your approach to debt-free education.

- If you are looking at colleges, merit-based and need-based scholarships are your friends. And low-income, high-achievers should consider colleges that meet 100% of demonstrated need.
- If you are interested in graduate school, pursue a marketable degree and research ways to get your degree paid for partially or in full by outside entities.
- If all else fails, pay cash. Find an affordable program, save up whatever you can to pay as much as you can in cash, and work your way through school so you can graduate debt-free.

PUTTING THIS CHAPTER INTO ACTION

Create a plan to earn your education without going into debt. You can use this table to document your initial research on school costs to determine how much additional money you'll need to cover your educational expenses. Next, you'll look for ways to cover the gap.

College Cost Tracker

College or University	Net Price	Amount You Can Cover in Cash	Additional Funds Needed

College or University	Net Price	Amount You Can Cover in Cash	Additional Funds Needed

What are three ways you'll try to find additional funding based on your background and needs?

CHAPTER 4

GET OUT

Several years ago, I was on a work trip to visit one of my students when I decided to stop by the local Barnes & Noble Bookstore. Whenever I travel for work, stopping by bookstores is one of my favorite activities. I can spend hours thumbing through different titles, picking up new ideas, and learning a little bit about a lot of different topics. Plus, there's always upbeat music playing and a Starbucks café where I can grab a drink to enjoy as I browse. On this particular trip, I ventured over to the personal finance section. Always a fan of picking up money tips, I browsed the titles and saw one that looked interesting. The book was facing outward to show the cover, which featured a smiling middle-aged guy holding a large pair of scissors as he cut up a credit card. The book was *The Total Money Makeover* by Dave Ramsey. It looked like it might be interesting, so I picked it up and started to give it a skim.

th fi fl 1234 It wasn't long before I was hooked. One of the things that struck me about the book was that it featured the stories of ordinary people like me, who grew up in middle-of-the-country towns and who earned middle-of-the-road incomes. Also, like me, these people were drowning in mountains of debt. A huge percentage of their income was going toward debt repayment, and they decided that being broke was just too much for them to deal with anymore. Why work so hard if you are still broke at the end of the month? So, they followed the author's advice, and in just a couple of years, they paid off thousands of dollars in debt and were well on their way to building their investments and enjoying a financially stable future.

There was no magic or funny business, no complicated formulas to learn, no over-excited guru telling people they could become millionaires if only they followed his obscure mindset practices. This book was different. It laid out a simple plan that anyone could follow, and I started to believe that I could do it, too. I stood there and read that entire book cover to cover (I have since purchased lots of copies to give away as gifts). That was the day I vowed to get out of debt, once and for all.

YOU ARE IN THE SUNKEN PLACE

In Jordan Peele's movie, *Get Out*, the main character gets tricked into falling into "the sunken place"– a semiconscious state where he can no longer control his actions and is instead under the control of an external force set on taking advantage of him in perpetuity.

Sound familiar? Being in debt is the sunken place of our society. Debt is how companies keep us under their control, using slick marketing schemes to make us feel the constant need to buy things that we don't even need. And this marketing is genius. Last year's fashion is out; it's time to upgrade to the latest trends. Last year's iPhone is starting to malfunction, time to get a new one. It's a constant barrage of messaging that makes you feel like you're missing out on the latest and greatest experiences—FOMO (fear of missing out) to the extreme. And the marketing is so subtle it can be easy to miss.

About a month ago, a friend invited me to go to the mall. I hadn't been to the mall in ages (I've become much more of an online shopper these days) and didn't expect the impact that it would have on me. The first thing I noticed was that everyone was walking around drinking these cute milky-pink beverages with slices of strawberry inside. They looked so delicious that I quickly became obsessed with figuring out what the drink was and where to get it so I could give it a taste (it was the Starbucks Pink Drink, if you're wondering, and it was pretty tasty).

I also became intensely aware of all of the cool outfits people were wearing. It was like a walking fashion show. I started to feel self-conscious in my clothes and vowed to spend a little bit more time getting dressed the next time around. People talk about "keeping up with the Joneses" as the peer-pressure society places on us to buy things we don't need, just to impress people we don't even know. I was experiencing that firsthand.

The truth is that we live in a consumerist society, where buying the latest and greatest thing or paying for the Instagram-worthy experience is what you feel like you have to do to fit in. We watch HGTV and start to think that our house needs some fixing up or that we should move to a nicer home. I can't think of how many people I've spoken to who have succumbed to the Peloton craze after watching their viral commercials (and learning that their friend has one, too). What about you? What do you find yourself wanting to buy after seeing advertising or that a friend already has it? We're all susceptible, and marketers are great at working their way into our psyches.

Debt is also a powerful force that can keep us under the control of our employers. Unfortunately, so many people accept jobs and working conditions they wouldn't otherwise have if they didn't need their paychecks to cover their debt payments. It becomes a vicious cycle where you hate work so you retreat to retail therapy for comfort, but then you generate so many bills that you end up needing that job even more. (Ever find yourself making the argument that you "deserve" a brand-new car, a new outfit, or an expensive home because you worked so hard? That's retail therapy at its best.) Before you know it, you're broke (no matter how much you make), stuck in a job you despise, and waking up on Monday mornings yearning for Friday afternoon. If you *need* your job, that means your job controls you. You, too, are in the sunken place.

Here's an example that makes me angry whenever I think about it. I know a phenomenally smart, talented Black woman who works in customer service for a bank. This woman has been berated by customers, called the N-word, the B-word, a monkey and more. And she's expected to maintain her cool and continue to treat callers with respect. In fact, if she doesn't, she will lose her job. It's crazy what customer service folks have to deal with, and customers should be ashamed of themselves for how they treat these people. Companies should also be ashamed for what they allow their employees to suffer while on the job. I have a lot of empathy for service workers in any industry, whether they work for a call center, wait tables, or are employed in any job that expects them to be kind and courteous to people who are often abusive. Here's my question: do you think that woman would stay in her job if she were debt-free and in complete control of her finances?

What I know to be true is that if we can get out of the sunken place, we will be so much more empowered in all of our choices. We'll no longer be under the thumb of employers who take us for granted, and we might think twice before paying for that expensive outfit just to fit in with people who are probably even more broke than we are. It's high time we admit that we've been duped into debt and it's time to get out.

CREATE YOUR ESCAPE PLAN

In order to escape the sunken place, the first step is to acknowledge how much debt you actually owe. I say "acknowledge" because debt has a sneaky way of growing in the background of our lives without our awareness of it. We swipe a credit card here, sign up for financing there, ignore a medical bill or two, pay just the minimum balances on our student loans, and before we know it, we've accumulated tons of debt without even realizing it.

Another reason we may not know our balances right away is because the numbers can feel scary. It's easier to go about our everyday lives without thinking about how much money we owe. If that sounds like you, know that I hear you. I don't want to make you feel bad, but I know that once you get your debt under control, you will feel so much better and be so much freer. We're going to be talking through debt-reduction strategies that work, which many people have used to find success. I want you to be one of those success stories.

Let's get started. Pause and take a moment to write out a list of every debt that you have. You can look back through your online bank account or monthly statement to see the payments you're regularly making and then look up those bill accounts to see how much you owe. You might also need to grab a free copy of your credit report from annualcreditreport.com to see what other debts you have. Your credit report shows all of your accounts, including any that you may have forgotten about. Once you finish listing what you owe to every single creditor, take a breath. You might need some self-care or a good cry, but this is good. Be proud of yourself for taking this important first step toward financial freedom.

With this information in hand, you're ready to make a plan to get out of debt. There are a couple of ways to do this, but my favorite is the “snowball” method. With this debt payoff approach, you start by listing all of your debts from smallest to largest. Your smallest debts come first, and the largest ones are last on the list. After you’ve ordered your debts, you are ready to start making extra payments to get your debt paid off. We’ll talk about where to find extra money in a bit, but just know that you will start by paying the smallest debt off as soon as possible. Any extra money you can find will go toward this goal, and you’ll have it paid off in no time.

For many of us, our smallest debt is something like a credit card bill for a couple hundred dollars that we’ve just left sitting there. It might even be the kind of thing that you could just pay off today. If you have any smaller debts, I want you to work hard to get at least one of them paid off this month. You’re going to hustle to find extra cash and put everything you can into getting one of your debts paid off. That first win will be the wind beneath your wings, the momentum to nudge you along on the journey.

After paying off that first debt, your next steps are to keep going down the list, making larger and larger payments as you go. While you’re working on paying off a specific debt by throwing any extra money you can at the payments, you will continue to make the minimum payments on all of your other debts to keep those accounts current. As you pay off each debt, the number of minimum payments you’ll be making will decrease. This frees up cash that you can put toward your next targeted debt as well. This is why this method works so well. Not only do you get the encouragement of paying off debt after debt as you work your way down the list, but by the time you get around to tackling your largest debt, you have a lot more money to put toward bigger payments. It’s easier to see yourself making progress. Throwing large chunks of money at your largest debt will feel great as you watch those big numbers dwindle month after month. By the time you make that final big payment, you'll be flying high with pride from committing to this process and seeing it through to the end.

The snowball method is the approach I chose for my debt-free journey. I started by listing all of my debts on a Google spreadsheet so that I could pull it up easily whenever I wanted to take a look at my progress. I listed all of my debts, which at that time included several credit cards, a personal loan, a medical account, and my student loan.

In the next column, I listed the payment that I would be making on each account. This number was the minimum payment, and for the lowest debt, this number was the minimum plus all of the extra money I was putting toward that account for the month. This helped me see how much money I was spending on debt payoff each month, and it helped me easily calculate how much extra money I was putting toward my debts as I worked my way down the list.

In the next column, I listed the total amounts owed on each debt. Then I summed up the columns to see my totals at the bottom. Each month, I would fill in a new column with what I owed so I could watch those amounts and the total sum decrease over time.

Below is a simplified version of what my tracker looked like in the first month (I rounded the numbers) as an illustration. You'll notice that a couple of the accounts had minimum payments of $0, so I was able to skip making a payment on that account for the month and put any extra money toward my smallest debt.

Debt Tracker

Account	Month 1 Balances	Paymen t
Credit Card #1	$90	$90
Medical Debt	$600	$0
Credit Card #2	$940	$520
Personal Loan	$3,420	$360
Credit Card	$8,800	$0
Student Loan #1	$9,900	$150
Student Loan #2	$47,000	$490
Totals	*$70,750*	*$1,610*

I used a Google spreadsheet because I work from my computer a lot and could just press a button and pull it up anytime, but you might like using a paper tracker instead or as an added visual aid to encourage you on the journey. Even something as simple as a piece of paper with a funnel drawn on it, which you keep coloring in until you reach your goal, could be great to paste on your refrigerator or someplace in your bedroom. There are also plenty of budget tracking apps you can download and access right from your phone. Be sure to give yourself little rewards and celebrations as you go.

The other approach to paying off debt is the “avalanche” method. To work this method, instead of placing your debts in order from smallest to largest, you organize your list by interest rate. Debts with the highest interest rate go at the top of the list, and you work your way down to debts with the lowest interest rate.

The main benefit of this method is that you save on the interest portion of what you owe over time. If you have a massive amount of debt that will take years to pay off, this method might make the most sense and could end up saving you months of payments by the end.

For example, if you have credit card debt that is charging you 22% interest in a month, you would pay this off first. Meanwhile, if your student loan debt is at a 6% interest rate, you would pay this off later because this debt is costing you less.

What you lose, though, is the satisfaction of watching your debts disappear one-by-one. That initial momentum and the encouragement you feel from eliminating a debt can help you feel like the end is in sight, especially if you’re working on paying off thousands of dollars in debt like I was. You can also do a combination of both methods if you think paying off a few small debts would feel good in the beginning. There is no “right” or “wrong” here; as long as you’re getting yourself out of debt, you’re definitely on the right track.

FINDING EXTRA MONEY

You’re ready to get out of debt as quickly as possible and are wondering where to find extra money to accelerate your progress.

You might feel especially stressed if your current budget is completely maxed and you're barely making ends meet paycheck to paycheck. Creativity is going to be your friend here. Realizing that debt is holding you back is an important first step, and seeing how much of your monthly budget is getting eaten up with payments ought to make you furious.

Let's take that energy and pour it into some short-term methods to generate extra cash. Can you hold a yard sale and sell off a bunch of stuff to make a chunk of money? Most of us have all kinds of things lying around the house that would sell. Next, how about cutting down on some of your current bills? Can you shop around to make sure you're paying the lowest rates for your car insurance? Can you move to a cheaper place or get a roommate? Can you put a room in your house on Airbnb? Can you get a second or third job where you can put 100% of your earnings toward debt?

In today's gig economy, there are a million-and-one ways to make money on the side. For example, many companies specifically hire part-time, contract workers. You can sign up to drive for Lyft or deliver through Doordash. Take the notary exam and sign up to do virtual notarizations. Leverage an existing skill and join a site like Upwork to offer your services for a fee. A friend of mine is an avid luxury shopper who generates additional income by finding quality items on sale and reselling them on sites like Poshmark at a markup. If she can make $1,000 a month on this side hustle, so can you.

As for me, I went all-in on generating extra cash because I couldn't stand the thought of drowning in debt any longer and was willing to do anything to get out. Saving on the rent wasn't an option because I was already living in a studio apartment when I started. Yet, I found ways to save on utilities by unplugging electronics when I wasn't using them (even if they aren't on, they still draw current) and keeping the thermostat a few degrees higher/lower than usual. My electricity bill dropped down to $15 a month doing this.

I shopped around for cheaper car insurance and a less-expensive cell phone plan, generating more than $100 in extra cash from my monthly bills. I took on a couple of extra jobs during the evenings and weekends that helped me generate a lot of extra money each month. By making more meals at home and doing free things with friends instead of expensive nights on the town, I trimmed down my entertainment expenses.

And I decided it was time to return to natural hair and take the low-cost route of letting it grow out by rocking a cute and curly Afro. For the big chop, I went to a natural stylist who recommended some products for my hair type. I completely stopped spending any money on anything hair related from then on. Then I eliminated my mani-pedi budget and went for keeping my nails trimmed and putting a clear coat on top myself.

After I paid off all my debts except for the big one, my student loans, I decided to buy a house with the express purpose of renting out part of it to eliminate my housing costs. At the time, I lived in New Orleans, a high-tourism town, so I had my realtor help me find properties with layouts that would enable me to AirBnB. I found a house with a master suite in the rear that could easily be partitioned off by adding a separate entrance at the back of the kitchen. I put that master suite on Airbnb and made enough money to fully offset the cost of my mortgage. All of the money I saved on housing went directly toward paying off my student loans. Through sacrifices big and small, I generated hundreds and eventually thousands of dollars in extra money each month.

DEALING WITH RESISTANCE

I won't lie to you; it was definitely a lot of work, and there were moments when my mind tried to convince me to veer off the path. At times I thought, hey, with all of this extra money I'm making, I should spend some of it and treat myself for all of this hard work. I also thought, hey, look at how much money I can generate. Aren't there people who work this hard all of the time? Maybe I should keep this going, build a lifestyle around a higher monthly budget, and embrace the fancy life I "deserve." Other times I would think, is it really worth it to work this hard? Maybe I should just resign myself to a life of debt and not try to be different. At least then, I could commiserate with friends about how much debt we all have since complaining about debt is much more typical than trying to get rid of it.

When you embark on the debt-free journey, you have to be prepared for all of the ways that your current lifestyle will push back. Here are some of the common arguments you might hear yourself starting to make and ways to reframe this thinking so that you can keep going and reach your goals.

Resistance Reframes

What You Might Say to Yourself	Reframe

What You Might Say to Yourself	Reframe
"I can barely make ends meet as it is. How can I pay off debt when I barely have enough money to pay my bills?" "Dang, I just got paid. How is it that I'm out of money already? I haven't even paid my credit card bill. Guess I'll pay the minimum again." **JUSTIFY MINDSET**	"How many of my bills are debt payments? Could doing something drastic—like selling my car or working a part-time job—wipe out one of these debts and give me room to breathe?" "Who do I owe, and how long am I willing to pay them out of my earnings? Let me call them to get clear on my payoff date and see if I have any options." **CURIOUS MINDSET**
"If I had the time to make more money to pay off debt, I'd be doing it already." **COMPLACENT MINDSET**	"The system is getting too much of my time for far too little money. How can I increase my income so my time becomes more valuable?" "I don't know why I'm willing to work harder for my company rather than investing in myself; it's time for a change." **STRATEGIC MINDSET**

What You Might Say to Yourself	Reframe
"Debt is a way of life. I'll be working until I die anyway, so I might as well enjoy it." "They are the ones that keep approving me for these credit cards, so I may as well enjoy life while my credit is good." **CYNIC MINDSET**	"What if an emergency comes up and I can no longer work? What if I get tired of working?" "Getting out of debt now will give me the freedom to make different choices later if I want." **REALIST MINDSET**
"But I have kids. How can I get out of debt and juggle the financial costs of parenthood?" **SCARCITY MINDSET**	"How can I create boundaries between what my kids want versus what they need so that I can set a reasonable budget?" "How can I involve my kids in the process so they gain financial literacy and feel part of the team?" **LEGACY MINDSET**
"This whole process is taking too long. I have so much debt that it seems like there's no end in sight." "This sounds like I'm going to miss out on life. Besides, Donald Trump doesn't pay his debts." **RESIGNED MINDSET**	"I can focus on paying off smaller debts now to feel some success. Then, I can set up a plan to automatically pay down the rest over time while focusing on other things." **RESOLUTE MINDSET**

What other arguments do you find yourself making? How might you reframe your thinking so that you will stick to your plan and reach your goal of becoming debt-free? Stay the course, and it will happen before you know it.

Now that we've covered how to avoid the slavery of debt and get yourself free as soon as possible, it's time to switch gears and start talking about building wealth. You will have *a lot* more money available in your budget once you're free from having any debt payments. With a clear mind, the confidence of someone who has tackled a huge goal, and a bunch of disposable income in your pocket, you are ready to become an investor.

In Part Two of this book, we will walk step-by-step through how to create a simple investment strategy that will generate lasting wealth and finance the lifestyle of your dreams. (That is why you picked up this book, right?) Financial freedom here we come.

SUMMARY

- If you are in debt, take stock of where you are by making a list of everything you owe. Look through your bills and credit reports to find all of the relevant info.
- Decide what debt payoff method you will pursue. Will you choose the snowball method for momentum or the avalanche method to tackle extreme levels of debt?
- Do whatever you can to cut expenses and generate extra cash to put toward your debts. This short-term sacrifice will be more than worth it in the end. Remember, there is nothing more important than your freedom.

PUTTING THIS CHAPTER INTO ACTION

Paying off debt can feel like one of the most intimidating things you'll ever do, but it will also be one of the most liberating. If you're feeling overwhelmed after reading this chapter, get started on it one step at a time. Here are some suggestions for how to space out your next steps:

1. **Right Now:** Start by listing all of the credit cards and loans that you currently have on the table below. Be sure to include both traditional credit cards (Visa, MasterCard, etc.) as well as store cards (Old Navy, Macy's, etc.).

2. **This Week:** Do some research to complete the rest of the chart. Look at your most recent statements to find the minimum payment amounts and interest rates being charged. Look through your bank statements to make sure you're not missing any accounts, and pull your credit reports at annualcreditreport.com to add any debts you may have forgotten.

3. **This Month:** Choose your debt payoff method and decide how much extra money you will put toward payments. Hold your yard sale, find that extra job, and do whatever you can to generate cash and cut expenses. By month's end, you should have your strategy in place to begin the process of paying off your debt, once and for all.

Debt Tracker

Company	Minimum Payment	Total Owed	Interest Rate

1. Choose your debt-payoff method:
    - ☐ Snowball
    - ☐ Avalanche
    - ☐ Combo
2. What additional ways can you make more money?
3. What expenses can you cut so that you have more money for paying off debt?
4. What are some ways you can stay motivated along the way?

PART TWO

Become so absolutely free that your very existence is an act of rebellion.

ALBERT CAMUS

CHAPTER 5
DREAM

What would you do if you didn't have to work for money?

This is a popular question that career advisors and life coaches ask when trying to help someone identify their true passions. It's a great question to consider. If money weren't an object so that all of your needs were met, what would you *really* want to spend your time doing?

I've asked myself this question many times over the years. My answers led me along a career path that has included traveling the country to tell students about cool educational opportunities, driving policy changes to make higher education more accessible, and starting a nonprofit to support students in my community in earning a college degree. (If the chapter on education in this book is any indication, education is a topic that I care a lot about.) The answers have also led me to visit nearly every continent, live in different cities across the country, record a studio album, and pursue my doctorate.

The most recent time I was asked this question, it was posed a little bit differently. I was participating in a syndicate program for early-stage Black philanthropists in education. One of the program activities asked us to envision our lives twenty years into the future. This time around, I spent a lot of time thinking through my answer. In the past, I would ask myself similar questions to figure out my very next steps in life, but this time around, I was developing the vision for my future in the long term.

In my experience, 20-year plans can be difficult to nail down because there's really no way to know who we'll be two decades from now. Our interests change; we evolve and mature along the way, and hopefully, our older and wiser selves have different goals than any we can come up with right now.

I think of a friend who dreamed of being a lawyer ever since she was a little girl. She worked hard in school, went to a good college and a good law school. Then finally, after about 25 years of hard work, she landed her dream job as an attorney. The problem was, she hated it. Despite all of the hard work and planning it took to get there, she hated every moment of being a lawyer and dreaded waking up in the morning and heading down to the firm. The career she was obsessed with as a kid turned out not to be the right fit for her as an adult.

There are plenty of lessons that we can take away from her story, including the importance of test-driving career choices along the way by shadowing, doing internships, and finding ways to get bite-sized career experiences. But there's also a larger lesson we can learn, one that's been proven by psychologists who study human behavior. The truth is that we are terrible predictors of what will make us happy in the future.[1] We just have no idea. And when we try to figure it out, we often get it wrong.

Why am I telling you this at the beginning of a chapter that is all about coming up with a vision for your future? I have a couple of good reasons. First, I want to take some of the pressure out of the process. I don't want you to go into this thinking that you're going to come up with the perfect life vision and that if you don't achieve every single thing on the list that you've somehow failed. This isn't about planning the perfect life on behalf of your future self. It's about tapping into your deepest desires so that you can start walking down the road that most calls to you.

In fact, I'm a big fan of "walking" toward our future goals because it gives us time to appreciate the journey. You'll meet people, have new experiences, come up with new ideas, and evolve as a person while you're walking your chosen path. If you take the time to enjoy the journey and embrace who you become along the way, then you will have found the key to success. It is never about the destination anyway. Creating a great life is all about the journey because that's where the living actually takes place.

The other reason I share this up front is that dreaming about your ideal future life brings up feelings and emotions as well as ideas for experiences that are incredibly important for you to build into your life in the *present.* When you really think about it, what we actually want deep down inside *isn't* to become filthy rich (don't get me wrong, we'd gladly take the money). No, what we really want at our core is what we think the money provides, and that's *freedom*. Freedom from having to worry about money, freedom to wake up every day and live a life of our own choosing. Freedom to do the things that bring us joy and freedom to offer our gifts and talents to the world.

Once I fully internalized the exercise's purpose, I got to work creating my vision. My 20-year vision was financial freedom for myself and every Black woman in the generation to come. I envisioned spending my days on my own time, coaching leaders, participating in advisory board calls, watching shows on a Shonda Rhimes television network, and flying to New York City to see Blue Ivy Carter perform on Broadway. (Hey, this is *my* dream after all.) Most importantly, I felt pride that I had freed myself from relying on employment (having "purchased my freedom" from being required to work) and that I had inspired a generation of Black women to do the same. I envisioned a world where we—

you, me, and the people around us in our families and communities—are completely free. (The vision also included writing this book as part of a successful strategy I hatched to help change the world.)

YOUR DREAM

Now that I've told you my dream, let's get crystal clear on yours. There are two questions I want you to ask yourself as we complete this exercise. The first question is: "what would you do if you didn't have to work for money?" This question helps you lean into a reality where paid work is no longer a requirement and where finances are no longer a constraint. The second question is: "what would you do if you knew you couldn't fail?" This is the question that will challenge you to create a vision for your life that is both inspiring and fulfilling. If you were completely free from having to work, you might choose to spend your time chilling on the beach, sipping frozen daiquiris, and enjoying your newfound freedom. I suspect this would be fun for a while, but that you might eventually want to build in a few more activities to round out your days. Finding ways to pursue your interests and contribute your skills and talents to the world will help make life feel meaningful, and figuring out how to make this your everyday reality is the key to a well-lived and enjoyable life.

Give yourself the time and space needed to really dig deep and identify your truest desires. Get yourself into a comfortable position, maybe put on some soft music or your favorite inspirational song, close your eyes and see if you can start to visualize what the ideal life looks like for you. Get a piece of paper, a journal, or notebook to write down your vision or as a tool to help you brainstorm. What does your ideal life look like? How would you spend a typical day? Think through every detail from the moment you wake up until the moment you go to sleep. Do you envision yourself working? What does your ideal work life look like? What kind of projects do you get to do? What are your coworkers like? What about the office environment? Do you envision traveling? Where would you go, and what would you do on these trips? Do you see yourself spending more time with family? How does that time together look, sound, and feel? What types of hobbies, activities, or events will be part of your ideal life?

Don't allow yourself to try to be realistic or consider how you'd achieve any of the things you see in your future. This isn't an action-planning exercise; it's a dreaming exercise. Surrender to the process and don't stop until you come up with something fabulous. You should experience an exhale at the thought of living the life you've dreamed. It should excite you. This is when you'll know you've hit on something that feels authentic and rings true for you. Make sure that you write out all of your thoughts in detail. Capture all of the pieces that are important to you from your vision. There is nothing too big or too small to include here.

Do you feel good about what you've written? Good. Now rest your pen for a moment while I tell you a story.

THE BUSINESSWOMAN AND THE FISHER

This fictional tale usually features men, but I've changed the characters to women so that we might imagine ourselves in their places. As the story goes, a smart businesswoman visits a village and meets a local woman who fishes for a living. The businesswoman curiously asks the fisher how business is going, and the local woman responds by describing a typical day.

Every morning, she wakes up and heads out on her boat to catch fish. She knows exactly where to let down her nets, and after just a few hours, she catches enough fish for the day. She sails back to shore and takes her catch to the market for sale. After selling all of her fresh fish, she heads home and spends the rest of the day relaxing with friends and family. Her day usually ends with a nice meal on the beach and a glass of wine with her partner while they enjoy the sunset.

The businesswoman listens intently to the story, then she starts to perk up. “I’m an accomplished businesswoman,” she begins, “and I have to say, I see a lot of opportunity here.” She goes on to praise the local woman’s fishing skills, marveling at how she can support her entire family on only a few hours of catching and selling fish each day.

Then she explains how a few modest tweaks to the business model could really maximize profits. “If you buy a bigger boat and hire other people to work for you, you could catch a lot more fish and make a lot more money selling them to the local villagers,” she explains. “Supply might even exceed local demand, and you could take your business to other cities and maybe across the country.”

The local woman listens patiently to the advice. “I see, and if I followed your advice, what would I do with all of this extra money?”

The businesswoman thinks for a moment before responding, “Well, you could continue to expand your business, buy more and more boats, hire more staff, and make even *more* money.”

“And then what?” the local woman asks.

“Well, eventually, you would have a multimillion-dollar enterprise. You could retire a very rich woman.”

By this point, the local woman can barely hide a smirk as she continues her questioning. "And then what would I do?" she asks.

"Well," thinks the businesswoman, "then you could retire and spend the rest of your life however want. You would have earned it."

"Thank you for the advice," the local woman responds with a laugh as she turns to get back to living her life, exactly as she enjoys it.

FINDING YOUR WHY

When you hear the parable of the businesswoman and the fisher, you may think its intended message is that the goal of building a large, successful business isn't as important as building a leisurely life, where work plays a limited role and leisure time takes precedence. There's nothing wrong with that conclusion—it was probably what the person who came up with this parable intended in the first place. But I want to challenge you to widen your vantage point a bit. There is room for both the businesswomen and the fishers of the world.

The real question is which set of activities will bring each type of woman joy. What if the businesswoman really loves building businesses? She has a knack for matching business activities with customer demands and finds joy in using a business's potential to maximize its profits. People like her would probably spend their time in retirement (retirement from being *required* to work) building a business and tweaking it to perfection. Spending her days chilling on the beach drinking daiquiris might feel more like a nightmare to her.

The deeper lesson I want us to take away from this parable is the importance of asking "why." Pick an important aspect of the dream life you desire and see if you can dig deeper into why that matters to you. Just as the fisher asked the businesswoman a series of "why" questions to get to the heart of her business plan, I want you to ask yourself a series of "whys" to get to the heart of your truest desires. If you can, go five "whys" deep and see where it leads. What are the foundational core values at the root of your desires? What feelings and experiences are you hoping to achieve through what you described about your vision?

HOW MUCH IS ENOUGH?

While I'm guessing we all could happily spend millions of dollars a year, it's worth asking yourself how much money you actually need to achieve your dream life. Whenever I ask people how much money they would need per month to feel comfortable not working, they tend to name pretty big numbers. When I ask what they would be spending all of this money on, the answers I get are even more interesting. People imagine a permanent home and a vacation home, a car to drive during the week and also a car to show off on the weekends, weekly spa days with thousands of dollars in treatments, and the list goes on and on. One woman said she would need to earn one million dollars a year to be "comfortable." That's over $80,000 a month. While I don't know your life, I also don't want you to mistakenly price yourself out of a realistic plan to free yourself from needing to work while still enjoying your life. And because I believe in enjoying the journey just as much as the destination, it's worth coming up with a plan that won't drive you nuts trying to achieve it.

In *Your Money or Your Life,* author Vicki Robin challenges readers to consider what is truly "enough" when it comes to money. As she explains, as we trade so many hours of our lives for money and continue to earn more, we usually find ourselves increasing our spending and setting our earnings goals higher and higher. In the process, we wind up trading even more of our lives away. At the end of the day, all of the material possessions we traded our lives for don't really make us happy. No matter how fancy the house or the car, we eventually get used to it, and the novelty wears off. If we're not careful, we'll conclude that an even nicer and fancier gadget is the solution, and before we know it, we're stuck in the cycle of wanting *more* and never get to appreciate having *enough*.

With this context in mind (along with a desire to forever avoid the sunken place), take a look at the ideal vision you created for your life. As you read through what you wrote, see if you can circle the things that matter *most* to you. Is it time spent with people you love? The ability to create art or write books? Time to spend raising a family? Freedom to travel the world? What is most important to your authentic self—the self unaffected by what's going on with the Joneses? In your ideal life, how do you want to feel? Who do you want to get to be? Take time to get super clear on what matters most to you and then find a way to capture it on paper, on a vision board, in a Google doc, or in whatever way feels most impactful for you. This document will serve as a helpful guide for the rest of this book.

WHAT IF YOU STILL DON'T KNOW WHAT YOU WANT?

If you had trouble doing the exercises in this chapter and aren't quite sure what your dream life would consist of, don't worry. Honestly, it can be hard to imagine what we've never experienced. Remember that we humans are notoriously bad at predicting what will make us happy in the future anyway.

The good news is that it's totally possible to *discover* what you like along the way. You can start the process by taking time to pay attention during your everyday life. Get yourself a little notebook and start to jot down the things that bring you joy throughout the week. It might be an activity, spending time with a certain person or type of person, or something you see on TV that sparks your interest. Whatever it is, write it down. You can also take note of what you dislike and would definitely avoid if you could. This is just as important as identifying what you do like to get as clear a picture as possible.

After you've performed this observational process long enough to have collected some good data on your everyday likes and dislikes, go back and identify the things that stand out. What are your favorite things on the list, the things that feel like must-haves for your ideal life? What would it look like having a lot more of those in your life and less (or none) of what you don't like? Keep working at it until your vision starts to become clear. After a while, you'll start to see a future life that you would love to live. Once that picture comes into view, write it out. Go back and do the exercise at the beginning of this chapter and give yourself time to write out as clear a vision as possible for your future. It doesn't have to be perfect; it just has to feel good to the person you are today. Trust yourself, and you can't go wrong.

LACE UP YOUR WALKING SHOES

Now that you have a good idea of the life you want to create for yourself, it's time to start making your dream a reality. At the beginning of this chapter, we talked about "walking" toward your future goals, and the time has come to lace up your walking shoes. The rest of this book will continue to lead you step-by-step through the process of achieving financial freedom, but that doesn't mean you can't get started right now with what you have. By taking small steps toward achieving your vision, you'll gain even more clarity on your goals and have fun along the way. Plus, you'll enjoy financial freedom so much more (especially if you take the early retirement route) if you take the time to start creating your ideal life right now in the present.

Let's take some of your vision—like those places and trips and activities—out of dreamland and start mapping them out in reality. Is there a city you've always wanted to visit? Start by going online and looking up pictures of various attractions or locales that you would check out if you were there. Next, go onto Google maps and use the "street view" feature to go on a virtual walking tour and see what things look like on the ground. Immerse yourself in the history and culture of the place by doing some research or checking out a historical fiction book located in that part of the world.

Next, look up flights and see how much it would cost to travel there. Websites like Expedia let you pick a destination and scroll through different months to find the cheapest times of year to fly. If you think you'd like to visit sooner rather than later, sign up for a service like Scott's Cheap Flights and create an alert for when tickets go on sale. You might be surprised to learn that even flights that usually cost thousands of dollars go on sale for just a couple hundred dollars throughout the year. These "error flights" get sold quickly, so set up an alert so you can purchase it as soon as it pops up.

What if there's an experience you want to have, like living on the beach? How can you get creative about experiencing something similar while building the conditions to make that reality possible? There are lots of options. You can plan a trip to the nearest beach and spend a couple of days there while envisioning your future life living nearby. Heck, you could even just visit the nearest river or a lake, grab a blanket, a book, and a cool drink, and then camp out there for a couple of hours while imagining life by the sea.

What if owning a cool car is in your future, and you envision yourself going on drives with the wind blowing through your hair? You may not be able to buy that dream car today, but you could always find a rental company that leases them and drive one around for a day or even just a few hours. Feel the wind blowing through your hair, take some selfies inside, record a video of yourself enjoying the trip, and make some memories that you can revisit again and again. Try it out until you get to the point where you can make that part of your dream an everyday experience.

What if being a CEO is your heart's desire? How can you get a taste of leadership on a smaller scale while you work your way up the ranks? Do you see yourself being a mother? Can you offer to babysit your niece or nephew in the meantime? Do you want to write a book? Can you start outlining the chapters today? How about becoming a famous performer, the likes of Beyonce? I'm sure your local open mic would love to have your talents.

Whatever you envision for yourself in the future, find a way to make at least some aspect of that experience a part of your life today. Before you move on to the next chapter, pause and challenge yourself to take at least one small action step related to your future life. I'm serious, don't read another word until you do it. Once you start to get a taste of your dream life, there will be no going back.

Now that you've created a vision for your life of financial freedom and taken at least one action step toward making that vision a reality in the here and now, it's time to start working our way through financing it.

SUMMARY

- Take the time to write out a detailed vision of your dream life. Push yourself to get clear on what you want by asking yourself "why" several times and learning what feelings and experiences are at the core of your desires.
- If you don't know what you want, take time to observe the things you like and dislike in everyday life. Keep good notes, and after a while you will have the makings of a vision that you can build on as you go.
- Finally, start making your dreams a reality by taking small steps to experience them today. Start to enjoy the journey as much as you envision enjoying the destination. Time flies when you're having fun, so get started today, and you'll reach your goals in no time.

PUTTING THIS CHAPTER INTO ACTION

1. Write out your vision:
2. How do you want to *feel* in your dream life?
3. What do you want to experience?
4. What are some ways you can start living your dreams today?

CHAPTER 6

EARN

Ever since I was a young girl, I would dream of traveling the world. I'm not sure when my obsession with travel began—probably somewhere in between realizing I was named after a foreign city and watching episodes of *Where in the World is Carmen Sandiego?*—but I do remember the first time I had the chance to take an actual trip abroad.

I was a new eighth grader, who had just tested into the gifted program within the local public school district, so I was attending a brand-new school. For the first time, I had the opportunity to sign up for a foreign language. Fairly pragmatic, I decided that Spanish would be the most practical choice. I hummed happily along with my coursework until one day when it was announced that the French class was going on a trip to Paris, France. I couldn't believe my ears—France! Being that my first name is Paris, I knew I had to find a way to get in on that trip. I asked the French teacher, whom I had never met and who didn't know me from Eve, if I could go too. To my surprise, she said yes. All I needed was to come up with a couple of thousand dollars to cover the cost of the trip.

This was when the hard part kicked in. My family rarely had the funds to make ends meet, much less to afford to send me abroad. But then again, my mom had raised us to believe that "you have not, because you ask not" and encouraged us to always bring our concerns to her, no matter how big or small. I can only imagine how palpable my excitement about the trip was when I brought the opportunity to her because, before I knew it, my mom had organized an entire fundraising raffle in my name. She called local friends to donate goods and services for prizes, and she printed tickets for us to sell. My whole family took part in the plan, selling tickets at church and at sporting events. When I think back on this, I can't believe how much energy and creativity my mom had conjured up to make it happen. My mom showed me that where there's a will, there's a way. Before I knew it, my trip was paid for, and I was booked on my first international flight.

I've since taken plenty of international flights, but that first trip is the one I will never forget. Even on our family's limited income, my mom had found a way to raise the money for what she viewed as a good cause. (And I'm so lucky and grateful that she did.)

In the last chapter, you learned how to dream in order to come up with a vision for your life several years into the future. Now it's time to put that inspired energy into generating the funds to help you get there.

EARN MORE

When it comes to building wealth and creating financial freedom, there's a simple path to get there that entails three basic steps: 1) earn more money; 2) spend less of what you make; and 3) invest the rest. While it's easy to start by focusing on the "spend less" part of the equation, I want to challenge you to focus your efforts on earning more. The statistics show that our country runs on the undervalued labor of Black women.[1] We are earning cents on the dollar at work while dedicating just as much unpaid time to our families, churches, communities, and sometimes even our workplaces themselves. When I think of Congresswoman Maxine Waters's admonition to "reclaim our time,"[2] this is what comes to mind for me. We need to be paid for the full value of our time—not at a discount and not free. Pay us full price.

This is a lesson I certainly learned the hard way over the years. Pursuing a career in education meant I started out earning much less than my peers in different fields. But it was when I met other Black professionals who also worked in education and earned double what I made that it dawned on me just how possible it was to earn a lot more. Better late than never, I peppered these professionals with questions about how they came to earn six-figure salaries. What roles did they pursue? How did they prepare for interviews that secured these types of jobs? What advice could they give someone like me, who had been consistently earning a lot less than I was worth and who was now motivated to turn the situation around? With newfound motivation, I kicked into gear. I began networking to identify positions that paid in the range I was seeking and hired a career coach to help me refine my role research, resume, and interview skills to match the caliber of these positions. And in just a few months, I had landed a new job that paid more than double what I had made before.

It was almost surreal to see how seamlessly my plan worked, but also equally concerning to consider how many years I spent earning pennies on the dollar because I assumed that I could never make more money. I admit that making a lot of money was never part of my original plans. But once I realized the freedom that money buys, I came around to valuing my compensation just as much as I valued the impact I was making through my work. We can sometimes mistakenly think that work is an all-or-nothing proposition. Deep down we might believe that you either love your job and make less money or hate your job and make more money. But, why not have the best of both worlds?

Let's say you're like me and not looking to change careers, but instead, want to make more money within your chosen field.

There are a couple of ways to gather the information you need to help you increase your earnings. First, it is helpful to know what the same position pays across different organizations. If you want to compare your current salary to those at other companies, one helpful website is Glassdoor.com. People anonymously report their salaries on the site. It is easy to search by position to learn the salary ranges at many different employers. If your current company pays low or is unwilling to match the market value of your role, it might be time for a change of employment to make the type of money you deserve.

The other way to learn about different salaries is simply to ask people. Talking about salaries is a bit taboo in our culture, although people are becoming more transparent as we begin to see how salary confidentiality tends to serve employers more than it serves those of us kept in the dark. An easy way to broach the topic is to ask someone what the salary *range* typically looks like for a role *similar* to theirs. It's less offensive than to ask what someone's salary is outright and opens the door for the person to share as much or as little as they feel comfortable. I have a friend who is a college counselor and used this strategy to improve her salary. She polled peers working in similar roles at different schools around town and even applied to another opening to get a higher-paying offer. She then leveraged this information and the competing offer to get a significant raise. Asking people about salaries is probably the most direct way to learn what options are available in your immediate vicinity. Plus, meeting someone who makes a lot more money than you might well be the kick in the pants you need to move to a higher-paying role. That's what happened to me.

When you find a role that pays what you want and could be a good fit, apply. Have you heard the statistic that women tend to wait until they meet 100% of a job's qualifications before applying, while our White male counterparts often apply despite meeting only a fraction of the qualifications?[3] I'm not telling you that credentials don't matter (and yes, discrimination is very real), but what I'm saying is you probably have a much better shot at that job you're eyeing than you give yourself credit for.

POSITION YOURSELF WELL

Let's talk about some ways to put your best foot forward to maximize your chances. First, do some networking so you're not submitting your application cold. People like to hire people they already know, but this doesn't mean that you have to be best friends or longtime colleagues of the hiring manager; it usually just takes a third party who knows you both and can vouch for you professionally to do the trick. When I'm looking for a new position, I start asking around to see if I know anyone familiar with my target organization and if they know someone who works there. I might also check on LinkedIn to see if I have any 2nd or 3rd degree connections at the organization. As you do this, realize that it is part of your due diligence. Getting inside information on the target's people and culture ensures that it's the kind of place you want to work. Remember, you are a high-value professional, and just because a company pays well doesn't mean they deserve to have you working there. You might end up spending all that extra cash on therapy because the culture is so toxic.

We are all just six degrees of separation away from anyone we want to meet or know, so asking around is bound to get you in touch with someone who can help you get the information you need. Also, keep in mind that the people you talk to are evaluating you as well. Each conversation is a mini-interview that is building your professional reputation—and it's that reputation that will ultimately gain you access to the job you're seeking. I've had plenty of conversations with people who wanted to learn more about a field or a company from me. While I am always happy to provide information, especially to someone introduced to me by a trusted colleague, usually, any help I may give stops right there unless I find the person impressive. Passing their information along or putting in a good word with any contacts I might have in their desired field or company can reflect on my own professional credibility. I am very selective about who I do that for, and the people you meet will be, too.

Take the process seriously and, with luck, don't be surprised if you get a personal introduction to an influential person at your desired company or if you get high-quality recommendations behind the scenes that will impact your candidacy. One of my colleagues describes this as "mounting a campaign for yourself." If you put the energy into doing this, by the time you make it into the interview, it's possible they've already heard so many great things about you that they're excited to meet you and start trying to convince *you* to take the job.

Next, make sure your marketing materials, including your resume, cover letter, and LinkedIn profile, match the professional reputation you want to portray. Unless you're applying for some sort of design job, avoid any colorful, picture-filled resume templates and stick with a professional black-and-white version that messages class and high value.

Modern resumes do not list your address at the top (your email address, phone number, and LinkedIn profile are sufficient); and avoid listing an "objective." Instead, your resume should highlight your *accomplishments* and demonstrate that you are the type of person who adds a ton of value to any role. For each former job, create a bulleted list that outlines your accomplishments in that role. The lists should start with a verb and include numbers to detail the scale, frequency, or impact of those activities. For example, instead of saying you were "responsible for filing budget reports," you could say "generated bi-weekly budget reports covering $20,000 in expenses with 100% accuracy." The second version starts with an action, shares the frequency of the reports, the amount of money you were accountable for, and an indicator of quality. Never copy and paste your former job description into your resume. Instead, take each responsibility and transform it into a statement that shows what you accomplished performing that task. This is what separates your resume from every other person who has held similar roles in the past.

The other trick is to read through your desired job description and focus on creating bullet points on your resume that closely align with the expectations of the job; in particular, use the same keywords. Aim to keep your resume at one-to-two pages max (definitely one page if you have five years of experience or less). Put the same amount of effort into your other materials. Write a customized cover letter that shows how your experience matches the expectations of the job. And put your best foot forward online. Make sure your LinkedIn profile is complete and portrays you as the high-value professional you are and treat yourself to a professional headshot. People will always pull up your LinkedIn profile when considering you for a job or evaluating your professionalism during an informational interview, so it's an important base to cover.

If you're feeling out of your depth or want professional feedback on your materials, that's what career coaches are for. Find someone who has a background in hiring for the types of roles or companies you're interested in and ask for their help. Professional career coaches can give you feedback on your resume, cover letter, LinkedIn profile, interview skills, and more. They can also help you refine your job search techniques, so you're gaining access to the types of positions at the income levels that you're most interested in. A good career coach is worth their weight in gold and is definitely worth paying for, especially if you're looking to make a big leap in income. You'll feel more confident knowing that an experienced person is helping to guide you along the way. If your friends aren't working six-figure jobs, they're probably not the people you want reviewing your resume or performing mock interviews with you. The expectations for different jobs can vary quite a bit by level, so get help from someone who knows what they're doing and has experience in the industry you're seeking.

While you're doing your research on higher-paying salaries, don't forget to grab any low-hanging fruit from your current employer. It doesn't hurt to advocate for a raise. Keep track of all your accomplishments, taking care to quantify any financial impact or savings you've created. When it comes time for your annual review, be sure to make a case for the value you bring to the company and bring any market research regarding comparable salaries for your role at other companies. And then, ask for a raise. All they can say is no, but they might just say yes.

Use this same strategy when interviewing for a new position. Detail the value you will bring to the organization and present your research on how much your work is worth in the market. Even small raises and initial-pay bumps make a huge difference over time because they have a cumulative effect. Next year's raise percentage will be based on this year's higher pay. The failure to negotiate up-front for the best deal can result in thousands of dollars in lost wages over the years. It never hurts to ask, and many times you'll at least get a little bit more than your initial offer. At the very least, your manager will respect you for advocating for yourself.

SPEND LESS

The other part of the equation is to spend less of the money you make. As Black women, we already know how to make a way out of no way or, as the saying goes, "to make a dollar out of 15 cents." Let's use our strengths. I will give you some strategies for automating the process in the next section on budgeting, but for now, start to think about what you can cut from your spending. The way to go about this is to decide what handful of expenses are essential to you, and then cut mercilessly everywhere else.

If you're wondering where to start, the way to get the biggest bang for your buck is by targeting the largest line items in your budget. Where are you spending the most money and therefore have the most room to make cuts? For most people, the largest expenses in their budget are housing, transportation, food, and technology. If you've eliminated debt payments, then these expenses are your rent or mortgage, the money you spend on car insurance and gas, and probably your cable bill and cell phone plan. If you're like me, eating out is also a major expense. To save a lot of money quickly, getting creative with cutting down on these expenses is your best bet.

The easiest of these to address quickly is your car insurance. Even though saving on insurance is as simple as doing an Internet search every 6–12 months, most of us never do it. Stop where you are right now and go online to see if you are currently paying the best rate for your coverage. First, look at how much your deductibles are. This is the amount that you pay out of pocket when you file a claim. The higher your deductible, the less you will pay for your insurance premium. It may be tempting to keep a lower deductible, but is it really worth the higher premium payments? Why not select a larger deductible, and keep the premium savings in an account where it's earning interest. Just like insurance, it will be there if you need it. The next step is to search for comparable coverage at lower rates. Use an auto insurance–comparison website to compare quotes (be sure to look at the exact same level of coverage). Just like that, you can switch into a plan that saves you hundreds of dollars.

With that quick win under your belt, let's talk about something that may feel a little more personal: cell phone plans. Have you ever looked at the different cell phone plans out there to see what rates look like compared to the service area covered? Many discount plans operate on the same network as the name brands for a lot less. And there are services priced even lower if you're willing to break the mold and try a nontraditional plan. You could nab a phone plan for a mere $10–20 a month, a tremendous savings compared to the popular $100 plus plans. If you find yourself wanting to reach your financial goals sooner rather than later, this is a great place to find savings in your budget.

If cell phones aren't where you're spending the bulk of your technology budget, cable might well be the culprit. Cable bills are $100 or more these days. Cut the cord and invest in a streaming service or two. Most of the good content is on Netflix and Hulu nowadays anyway. Map out when and where your favorite shows air and cycle services so that you're only paying for the network you want when your favorite shows air. Free trials are also a great way to binge an entire series when all its seasons are carried on a streaming channel.

Finally, let's talk about housing. This is usually the largest line item in our budget. It is also where we are least likely to want to make changes or feel we have the least choice. Housing costs what it costs, right? As discussed in Part One, there are small changes you can make just to your utilities if you want to tinker around the edges to save: making sure to turn off the lights in rooms when you're not using them; unplugging electronics to save on phantom usage (especially when you go away); and setting your thermostat a couple of degrees hotter or colder to save on heating and AC costs.

The next level of savings entails moving to a lower-cost home. This could mean downsizing to a smaller place, getting a roommate, renting out a room, or choosing a community with fewer amenities. If you have a goal that you're very excited to run toward, this temporary change in accommodations might indeed be worth it. If you're truly serious about saving money on housing, there are a couple of more extreme strategies you can try. One of these is "house hacking"—where you aim to spend close to nothing on housing expenses. This could look like signing up with a house-sitting website and finding a series of house-sitting gigs or getting a place with multiple bedrooms and renting the rooms out so that your expenses are covered. You could also do a series of slow flips, where you buy a house, spend a couple of years fixing it up, and then sell it at a profit that reimburses all of your expenses while you were living there and that also provides income to purchase your next property. If you work remotely, geo-arbitrage could also be your strategy of choice. This is moving to a location with a much lower cost of living—either domestically or abroad.

Many geo-arbitragers target locations in South America or Southeast Asia for this purpose.

The level of difficulty and expertise increases with each of these strategies, but I mention them here to get your mental wheels turning about all of the creative ways people who really want to save money make it happen. Did it spark any ideas for you? And hey, there's nothing wrong with clipping coupons or trimming your coffee budget either. My only advice is to do as much or as little as you can manage psychologically. (I'm not a fan of outright torturing myself today—even for a glorious future—because life is way too short.)

BUDGET FOR FREEDOM

Next, it's time to create a system so that all of your hard work toward increasing your earnings and saving money doesn't go to waste. The way to do this is by creating a budget. If you've ever found yourself wondering where all of your money goes every month, this is your solution. Without a budget, our hard-earned money has a habit of disappearing. Let's get you going on an easy budgeting process to make sure more of your money stays in your pocket where it belongs (and is available for the smart investing strategy you'll learn about in the next chapter).

There are a couple of ways to set up a budget, but the first step is to take stock of all of your expenses. This will give you the lay of the land and a foundation for setting some goals moving forward. To document all of your expenses, start by combing through your bank account or any records you have of your bills and then list every single bill along with the date that payment is due. (While you're doing this, keep in mind that you can always pause and cancel any of these expenses. Subscription services, in particular, have a way of showing up when least expected, as do those free trials that you forgot to cancel.)

Once you've documented all of your bills, it's time to tally up how much you've been spending on variable expenses like food, gas, or entertainment. Variable expenses tend to change each month, so it's helpful to figure out an average. You can do this retrospectively or use the month ahead. If this feels too tedious, connect your accounts to a service like Mint, and it will create a generalized monthly expenditure accounting for you. Each expense won't be categorized perfectly, but it should give you a pretty good idea.

Now that you are armed with this valuable information, including exact dates and figures for your bills and estimates for your variable expenses, you are ready to create a budget. Here's what the process entails:

1. Examine your historical expenses.
2. Create a budget by generating categories and setting appropriate limits in each one.
3. Determine how you will track and control your spending to match your budget.

After you complete your documentation month and understand where all of your money is currently going, it's time to set some goals. How much would you ideally spend on bills? How about on your variable expenses? How about on things that are wants instead of needs?

After you set your spending limits, it's time to start tracking. There are many ways to track your spending, depending on your level of interest and investment in the process. If you're really into math and calculations, you can set up a spreadsheet (Google Sheets is cool because you can pull it up at any time) or purchase a tool like YNAB, which stands for You Need A Budget, a user-friendly, expense-tracking tool and budget maker. Using these tools, you can set spending limits for each expense category. As soon as you receive your next paycheck, go into the tool and allocate every dollar of that paycheck to each respective budget category.

Setting a budget for how much you will allow yourself to spend in each category allows you to establish goals for how much you want to save. Using these budgeting tools, you track purchases and assign them to categories. The key to making a budget work for you is that you must stop spending in any category when you have reached your budgeted limit. Alternatively, you can treat your line items more flexibly by moving money around between categories, so long as the overall total that you spend each month remains the same.

If you're in the process of paying down debt or simply want to make sure you never accidentally go over an item's budget, another tool that you may find useful is the envelope system. Instead of budgeting virtually, you do this manually by creating an envelope for each spending category. Put the amount of cash you've budgeted for that category into the envelope and then spend the cash as you go.

This is powerful for many reasons—including that you can actually see the cash leaving your hand when you make a purchase and watch the money deplete in the envelopes—but mainly because it makes the spending feel more real than swiping a debit or credit card. In fact, researchers have shown that we tend to spend a lot more when we're using plastic instead of cash.[4] If you're trying to get your spending under control, cash is key. You can also detail where your money is going either by keeping a list on the back of the envelopes each time you reach inside to make a purchase or just by storing your receipts in the envelope so you can keep track of what you spent where.

Regular paper envelopes work great for this, but there are also wallets designed with this purpose in mind. During my debt payoff stage, I relied on the cash method and found a super cute golden wallet to use while out and about. It had a series of compartments with tabs that I labeled with my budget categories, making it easy to transfer cash between sections if I wanted to spend more in one category by spending less in another. I found this extremely helpful when I first got started, and I highly recommend this method if you're trying to get your spending under control. Swiping a debit card often takes a day or two to register in your account, but cash never lies. When that envelope is empty, you're done spending. No overdrafts, no fees, and no headaches wondering if a purchase is going to bounce.

If you prefer a simpler method, the way to go is using separate bank accounts for a couple of big-spending categories. Once you've set your goals, all you have to do is deposit your budgeted amount of cash into the separate accounts allocated for each purpose. As long as you keep track of each category's account balance, you know when you're free to spend and when it's time to stop spending and wait for your next paycheck. Some people have even taken this a step further by purchasing gift cards for specific expenses, like groceries. This limits spending to the store where you purchased the gift card, but what's great about this method is that there's no chance of an overdraft.

When I was getting out of debt, I used the YNAB budgeting software, which helped me track everything down to the penny and get out of debt as soon as possible. I was meticulous about finding ways to cut even the smallest expense, so tracking so closely was critical. I've since switched over to using separate accounts. I direct deposit an amount equal to that month's total bills into a checking account I have set up just for bills. All of my bills are on autopay, so they draw directly from that bill-pay account, and I rarely, if ever, have to intervene. Because some of my bills, such as utilities, are variable, I tend to deposit a bit more than required into the account to create a buffer. The extra cash sits there as miscellaneous funding otherwise and helps in months where I forget about a recurring cost that occurs less frequently. (I set up reminders for my Amazon Prime account, but it always seems to catch me by surprise.)

I then set limits for how much I want to spend on food, entertainment, clothes, and upkeep. I keep a separate checking account designated for these discretionary expenses. I simply spend out of this account until all of the money is gone. There's no need for me to track my spending in each individual category at this point since I'm not actively working to reduce expenses, so I find it easier just to track my overall spending.

All of the tracking methods—spreadsheet, envelope/wallet, gift cards, and separate bank accounts—work great because you benefit from putting yourself in control of how much you spend rather than simply letting your money disappear every month. Choose the method that works best for you and your goals and stick with it long enough to see if it works for you. There's also no rule against switching up methods as you go or doing a hybrid where you both track your expenses and use different accounts to separate the funds as a control. The most important thing is that you stick to your budget so all your hard work earning extra money and finding savings doesn't go to waste.

In fact, savings and investments are the most important part of your budget. For many people, saving is what happens at the end of the month only if there is anything left over. But the key to generating wealth is to pay yourself first. This means that you set a savings target, and you pay that money into your savings account each pay period as if it were a bill. You owe it to yourself to save toward a secure financial future and ensure you have something to show for your years of hard work. If you're in the process of building up an emergency fund before you start investing, it's helpful to set up a separate savings account just for this purpose. You can then direct-deposit this money into your savings account right when you get paid, or you can set up an automatic transfer from your checking account to your savings account each month. Once you've reached your emergency fund goal, you can put money toward investments. We will talk in-depth about investing in Chapter 7, but for now, remember that creating a budget and automating your savings and investments is an important step in making this plan work.

Once you get on a roll with the budgeting thing, the most fun part is watching your money grow. I highly recommend using a tracking system to help you document and celebrate your progress. A tool like Mint can help you track your net worth as your debts decrease and your savings increase. And be sure to pause and celebrate every time you reach a new milestone. Taking control of your finances is no easy feat—it's the work of a woman on a mission—so you'll be demonstrating to yourself and to the universe that you're serious about reaching your goals.

SUMMARY

- In this chapter, we talked about the importance of earning more money in your day job. Challenge yourself to get the highest value in exchange for your time by researching and applying for better-paying positions.
- We also talked about strategies to reduce your monthly expenses. Start by focusing on your biggest expenses, which tend to be housing, food, transportation, and technology.
- Finally, we talked about budgeting as a way to control your spending and maximize savings. Whether you use a spreadsheet, cash envelope systems, gift cards, different bank accounts, or other creative strategies, controlling your spending is key to success.

PUTTING THIS CHAPTER INTO ACTION

We covered a lot in this chapter. Here is a game plan for putting everything into action.

- **Right Now:** Take a stab at completing the first few questions below about your current earnings. It may take some research to figure out potential jobs that make more, but go ahead and start brainstorming how you'll increase your income.
- **This Week:** Begin to pay attention to how much money you earn versus what you spend during the week. Are you quick to swipe a card? Meanwhile, start combing through statements to document all of your expenses. You should have

the expenses part of the worksheet below complete by week's end.

- **This Month:** Get your budget and tracking system up and running. If you need to go purchase paper envelopes or set up another checking account, get that done. When you get paid next month, make sure your system is correctly set up so that money is flowing into the right accounts and you have the tools you need to control every dollar you spend.

Answer the following questions to create your strategy for earning more:

1. How much is your current salary?
   (e.g., $50,000 per year)
2. How much would your salary be with a 10% increase?
   (e.g., $55,000)
3. When will you ask for a raise and what accomplishments will you highlight in this conversation?
4. How much would your salary be if you doubled it?
   (e.g., $100,000)
5. What are some potential roles you could shoot for that pay double your current salary?
6. What steps will you take to get prepared to apply for such roles?

Now let's work on your budget. Start by listing your current expenses (leaving the "new amount" part blank for now):

Budget Expenses

Expense	Frequency (i.e. monthly)	Current Amount	New Amount

Next, go through your current budget and highlight or circle the expenses to eliminate or cut back on to reduce that budget category. Write the new budgeted amounts in the column labeled "New Amount." Great work. How much were you able to shave off of your monthly expenses?

The next step is to figure out what budgeting strategy will help you achieve your goals.

Will you track every expense, use the envelope method, use gift cards, or bucket your money into different accounts?

Great. Now it's time to get started executing your plan. List the three next steps you will take to get your budgeting and spending plan up and running.

CHAPTER 7

INVEST

I first learned about the FIRE movement (Financial Independence, Retire Early) from reading the *Mr. Money Mustache* blog. I was in debt payoff mode and researching tips and tricks to cut my expenses as much as possible to accelerate my progress. Pete Adeney, the blogger of *Mr. Money Mustache,* is what some might call an *extreme* saver. He writes about how he doesn't own a car and instead bikes or takes public transportation wherever he goes, finds cheap grocery store chains, and always cooks at home.

Finding ways to save, he cut cable, reduced his home utilities, and got rid of all of the nonessentials from his budget, exchanging costly outings for exclusively free entertainment. As crazy as this would sound for the average single guy to do, the story gets even more extreme when considering that he was married and had a child while he did it. His entire family's yearly budget was less than $25,000. As I was reading this wild story and taking notes on ideas I might like to try, I started wondering why this guy was doing all of this. I mean, why would anyone choose to make this level of sacrifice? (I think he'd just call it being economical, environmentally conscious, and escaping consumer culture, but it sure read like a sacrifice to me.)

As I read on, I learned that he was an engineer who had decided that he would rather retire early than continue to work for the rest of his life. He had created a series of spreadsheets, read a lot of research on early retirement, and devised a plan to be completely retired by age 30. While living on that constricted budget, he was actually making a good deal of money (not quite six figures, though) and had figured out that frugality could get him to his retirement goal in record time. (He did retire at age 30 as planned, by the way, and has been retired ever since. He's almost 50 years old today.)

What struck me about his story was that he didn't follow any kind of get-rich-quick scheme to achieve early retirement. He didn't go study real estate and buy up a bunch of properties or figure out how to start an online business to generate a lot of cash. He didn't jump into the stock market and start day trading either. Instead, he learned to save and how a few *simple* investments could do the trick.

Ever since reading his story, I've learned about lots of other people who've traveled this path and for whom this simple investment strategy has worked. They are all part of the FIRE movement. It seems like the best-kept secret (whenever I mention FIRE to people, almost no one has heard of it), except that there are thousands of people following the principles of the movement and dozens of blogs, Reddit feeds, books, and even a movie about it. (The movie is called *Playing with FIRE* and is available on multiple streaming services.) The appeal of early retirement is what draws the movement's followers. To me, the fascinating part of it all is the simple investment strategy that serves as the foundation for the whole thing.

The financial advice presented by JL Collins in his book, *The Simple Path to Wealth,* is at the heart of this strategy. What's great about this book is that he wrote it for his young daughter for when she was grown, giving her money management advice and enabling her to be financially free, also. Having done the research and worked out the math to retire early himself, he wanted her to have the same option if that is what she wanted. The basic advice he gave her is the same advice I give you in this chapter: simplify your investments and let the system work for you. If you never read another financial book or do anything else with your money, following the steps below will ensure that you build wealth.

I will admit that reading about investing in the stock market isn't the most interesting thing in the world for most people. Even though we're going to be walking through a simple strategy—using the money you save to buy something called "index funds," you still might find your eyes start to glaze over. Just remember to reread this chapter for reference when you're ready to invest.

WHAT IS THE STOCK MARKET?

Since we will be talking about how to invest in the stock market, it's worth taking a step back to review what the stock market is and what role it plays in our economy. I'm sure you've heard that we live in a capitalist society, but have you thought about what that means in terms of our country's economic system? The dictionary defines capitalism as "an economic and political system in which a country's trade and industry are controlled by private owners for profit, rather than by the state." This means that our economy is driven by companies whose goal is to increase the profits earned by their owners. And who are those owners, you ask? If you follow the advice in this chapter, the answer should be *you*. Thousands of companies sell bite-sized slices of ownership ("stock/shares" in the company) via a public platform called the stock market. As a company's profits increase over time, so does the value of its stock. If you own stock in a company, that means that you profit when the company does well. The reverse is also true. The value of your stock can decrease when a company's fortune declines.

For many people, this setup might sound a bit like gambling. When you buy stock in a company, it's pretty hard to predict whether its value will increase or decrease and if you'll make money or lose what you invested. Even billionaires like Warren Buffet, who've made their fortunes making predictions in the market, wouldn't advise taking this route. Warren Buffet himself recommends taking the investing path I recommend in this chapter.[1]

INDEX FUNDS

Let's ask ourselves, what if there was a way to automatically invest in the market and reap the benefits over time? Enter the index fund. Several decades ago, financier John Bogle created the index fund as a lower-risk alternative to investing in single stocks or managed funds. Index funds are a sampling of stocks representing certain categories of companies in the market. These slices of the market are called "indexes," such as the S&P 500, the Dow Jones Industrial Average, and the NASDAQ Composite Index. These indexes are just hypothetical groupings of companies that together are supposed to represent how their sections of the stock market perform as a whole. An example is the S&P 500, which measures how the five hundred largest companies in the US are doing. Other indexes might measure a group of midsize firms or tech stocks only.

An index fund makes actual investments in companies to mirror what is included in an index so that the fund's performance will mimic the index's. Because index funds track a group of companies (or the entire market) automatically, the fees associated with them are much lower than "actively managed" funds, where a manager charges fees to continually adjust the fund's investments. Investing in index funds means that you lower risk by investing in many successful companies at once while decreasing costs so that you keep more of the money you earn.

But the benefits don't stop there. Research on the performance of the stock market over time might surprise you. Despite some of the big downturns in its history—the Great Depression and the 2008 Recession are important ones—the market has consistently increased in value over time (while controlling for "inflation," which is when the price of goods goes up and what you can buy with the same amount of money goes down). If you look at any 30 years in the stock market's history, it will show that returns averaged around 7%.[2] And in the past hundred years, returns have averaged approximately 10%.[3] These returns—coupled with the statistics that most professional (non-index) fund managers picking individual stocks fail to earn better returns than overall market returns, on average[4]—mean that investing in index funds is a sound way to make money in the stock market.

This is why JL Collins advises his daughter to focus on index funds in *The Simple Path to Wealth*. But he doesn't stop there. He recommends one specific fund for investment. His favorite fund, and the fund that many people in the FIRE movement rely on, is called the Vanguard Total Stock Market Index Fund. (Vanguard is the brokerage and investment management firm started by John Bogle.) This fund, VTSAX, follows the entire stock market, not just a slice, so its performance mirrors its trends. Investors can expect that, over any 30-year period, an investment in VTSAX will net them positive returns of around 7–8% because that is typical of the market. The fund requires a minimum investment of $3,000. But if you're starting out with less than that, you can invest in its cousin, VTI (which stands for Vanguard Total Stock

Market ETF), until you have enough. VTI has no minimum investment.

It's important to remember that index investing doesn't mean that the *value* of your account will never go down. Remember that buying stocks is buying ownership shares in a company. Unless the company goes bankrupt, you will continue to own your shares regardless of their value. In fact, the value of most stocks goes up and down regularly, even multiple times a day. Don't let this bother you because saving for retirement means you are in it for the long haul. Realize that dips in the stock market are opportunities to buy shares in your investments at a discount, which will make even more money as the market and the shares you bought increase down the line. Leaving your money in the market and continuing to purchase more shares as you go is the winning strategy that has produced many millionaires and early retirees.

The plan we're talking about in this book involves leaving your money invested *forever,* which is the key to building generational wealth. After a while, your investments will be generating thousands of dollars in dividends, and that's the money you'll be able to enjoy spending and use to fund your dream lifestyle. Meanwhile, the investments themselves will outlive you. It's the best form of wealth to pass down to generations to come because it doesn't require any specialized maintenance or know-how, unlike a house or a business. Your kids might not want to live in the house or run the business that you leave them, but I'm sure they won't mind continuing to spend the money your investments are earning.

In sum, buying index funds is the smartest way to invest in the stock market. And it's easy, to boot. Anyone can open an investment account and buy an index fund. You can go right to Vanguard.com, open an account, and purchase VTSAX or VTI in a matter of minutes. Unfortunately, despite the ease of investing in the market, a majority of Black people in this country don't own a single stock.[5] There are lots of reasons for this (racism and a history of discrimination and exclusion being a major one), but I believe one of them is that investing in the stock market can seem intimidating and confusing. If there's anything you can take away from this chapter, it's that investing is easier than people think. As the market soars and millions continue to live comfortably from their investments, let's make sure that our friends and family are among them. Phone a friend, call up mom and grandma, text your niece, and tell everyone about what you've learned.

Now that you know the power of investing and the smart way to buy stocks via index funds, let's talk about the types of investment accounts that will get you there.

INVESTMENT ACCOUNTS

A generation ago, employers provided pensions to their employees as a form of "deferred compensation" (lower wages now in exchange for benefits later). Employees built up equity in their pension over time, and when they retired, that pension would pay out for the rest of their lives. Nowadays, even though a few employers still offer pensions, most of us are expected to save for retirement on our own.

Retirement accounts are the most common way that the typical American starts investing in the stock market today. To buy an index fund, you first have to open an investment account, and retirement accounts are a great way to get started. Retirement accounts provide several benefits, the primary one being the ability to delay paying tax on the money you contribute. Every dollar you put into one of these "tax-deferred" accounts reduces the taxes you owe when you file your return the following year. Those contributions are deducted from your taxable income. So if you earn $50,000 and contribute $10,000 to your tax-deferred retirement account, you will only pay taxes on $40,000 of earnings. (Income taxes must be paid on withdrawals from the account, if before age 59½. There is also a 10% penalty.)

401(K)S AND 403(B)S

There are several types of retirement accounts that your employer might offer, but the most common are: a 401(k), if it's a for-profit company, and a 403(b) if nonprofit. (The numbers and letters stand for the IRS code that lays out the rules for these types of accounts.) Both of these accounts work almost identically. You have a certain percentage of your salary (subject to IRS limits) directly deposited from your pay into your company-sponsored retirement account. Your company selects the brokerage firm to manage the account and pays the fees. A variety of options are offered for you to invest in so that when you sign up, all you have to do is pick the funds you want. Different brokerage firms offer different types of funds, but most likely, there will be some form of index fund you can choose or a "target date" fund, which aligns to a specific retirement date. The target date funds automatically adjust as you get closer to retirement, and they are not a bad option if you're not able to find anything similar to VTSAX in your plan's offerings.

The other big benefit of company retirement plans is that your employer might offer a "match" on your contributions. Let's say that your company offers a 2% match. Any money you contribute up to 2% of your salary gets matched dollar-for-dollar by the company. If your salary is $50,000, then 2% of your salary is equal to $1,000. If you put $1,000 into your retirement account, your company will put in another $1,000. Regardless of what other retirement accounts you choose, you should always invest in your company's plan up to the match because who doesn't like free money?

ROTH IRAs

The next type of retirement account to invest in is the Roth IRA. An IRA is an "Individual Retirement Account" that you open on your own instead of going through your employer; it, too, is tax-deferred. But a Roth IRA is a special kind of IRA that uses "after-tax" money so you won't get a break on your tax bill upfront for contributing. The beauty of a Roth IRA is that you won't be expected to pay any tax on the money you've earned in the account when you eventually withdraw it in your 60s. This benefit is valuable because the longer you hold the investments and they grow in value (including through interest and dividend reinvestment) the more that is yours tax-free. You can choose any brokerage firm you like to open this account, but I suggest using one of the three big discount brokerages because they offer a range of funds with low fees. The big three are Vanguard, Schwab, and Fidelity.

The other cool thing about Roth IRAs is that, because you've already paid the tax on the money you put in, you can take what you contributed back out at any time with no penalty. (Withdrawing the earnings portion, on the other hand, is treated like 401(ks) before 59½, with tax and a penalty.) Many people who are planning for early retirement like the option of being able to pull money out of the Roth IRA early if they need it.

This could also be a good place to park money that you plan to use to buy a house in a few years because, in this case, pulling out earnings is not taxed provided you have had the account at least five years. Track your assets over time, and if they're down for any reason, hold off on buying a house until the value of your account is back up.

Because of the tremendous benefits of Roth IRAs, there is an income limit for the people who can participate. As of today, single people who earn less than $140,000 per year or married couples who earn less than $208,000 can invest up to $6,000 per year (depending on your income) into one of these accounts. If you fall into this category, you should invest as much money as you can into a Roth IRA, but only after you've invested in your company's plan up to the match. Be sure to get the free money first.

In summary, these are the two accounts most people need for investing. First, invest in your 401(k) or 403(b) up to the company match, if any. Next, max out what you can invest in your Roth IRA if you qualify. Then go back and invest whatever you can in your 401(k) or 403(b), if possible up to the max, which for 2020 is $19,500 per year. If you want to invest more than $25,500 (the $6,000 in your Roth IRA plus the $19,500 in your company plan), or if you make too much money to invest in a Roth IRA, you can open up a regular taxable brokerage account for the rest. A regular brokerage account won't have any contribution limits, but it also won't have any tax benefits, so you will be contributing after-tax money and also be taxed on the gains that you make.

Using these accounts, you will be investing each and every month and watching your balances grow over time. The amount of money you can invest will increase as you check off other financial goals like building your emergency fund and paying off debt. Your investment holdings will start to grow exponentially as a result. Before you know it, you will have hundreds of thousands of dollars in investments, a positive net worth, and the rock-solid confidence of a woman who's got serious money in the bank.

SAVING VS. INVESTING

Until now, we talked a lot about increasing your savings to pay off debt and build up an emergency fund. Aside from investing in your company-sponsored retirement account up to the match (because no one should turn down free money), you should focus on getting these first steps completed before you start to focus on the investing side of things. There are a couple of reasons why this makes sense. First, every day you hang on to debt, your money is working against you due to accruing interest. You are *losing* money every single day that you are in debt. You've got to plug these holes in your financial system as soon as possible.

The second reason has to do with what's called "liquidity." This means how quickly you can access the money if you need it. The money in your emergency fund should be easy to access when an emergency arises, so you should be storing it in an interest-bearing savings account. I store my emergency fund in an online account that pays the highest interest rate I can find. I like that I can't just drive up to a bank and withdraw the cash, making it less tempting to sneak and use. When an emergency comes up, I can easily transfer the money I need into my checking account to cover the expense. The other account you will need is a savings account for your day-to-day savings goals. This account could be for when you're saving to replace your current car, buy a house, take a big vacation, or any other purpose within the next five years.

Money that you put into a retirement account is not meant to be accessible. If you try to withdraw money from your 401(k) or 403(b) before you reach retirement age, you will be hit with the 10% penalty and a higher tax bill. That money should stay in your account at all costs. And just because you can take money out of a Roth IRA without penalty doesn't mean that you should. Don't touch your retirement accounts because the less money you have in them, the less they'll grow, and the less money you will have in the future for your retirement and lifestyle needs. The best thing you can do is "set it and forget it" when it comes to your investment money. If you're going to be tempted to pull money out of there, don't bother tracking your money's growth each month. Just automate your investment deposits and put them out of your mind. There is no shame in doing whatever you've got to do to make sure you keep your investing plan on track.

Remember, the whole reason why index funds are a safe way to invest is that the numbers work out over the long term. If you tracked the value of your account over just a year or two, it might look like you've lost money (especially during one of the recessions that tend to pop up every few years). Cashing out of the market during one of those periods would result in actual money losses as compared to on-paper losses. Remember, when there's a downturn, the shares you own reduce in value, but you still own them and will continue to own them when the market picks back up. But if you take your money out during a downturn, you are actually selling off your shares. That's when you suffer a real financial loss because you've sold off your shares at deeply discounted prices. To save yourself from ever being forced to do this, you must keep any money you will need in the short-term (within five years) in a regular savings account with the highest interest rate you can find.

WHAT ABOUT EARLY RETIREMENT?

We'll talk early retirement strategy in the next chapter, but the important thing to know is that in early retirement you will rely on the earnings from your investments to support your lifestyle. Once you reach early retirement, most of your investments will likely be in a regular brokerage account because you will have invested a lot of money each year to reach this goal and so easily exceeded the limits of your company-sponsored plan.

That said, when you start getting close to early retirement, it makes sense to focus on building up your emergency fund to give yourself a nice cushion of cash in case the market takes a fall right when you plan to retire. It would suck to have to wait another year or two to retire while you wait for the market to recover. Move from having six months of expenses in your emergency fund to something closer to one to two years' worth. Even if the market doesn't dip right away, it will eventually. Hang on to that healthy emergency fund for when that time comes. The reality is that most early retirees never have to tap into their emergency fund because they end up spending a lot less in retirement than they budgeted and their investments end up netting much higher returns. But, better safe than sorry, and it never hurts to have more than you need.

If early retirement is your goal, we'll talk about how to use the accounts we've discussed to your advantage in the next chapter. But regardless of your plans, following the advice in this chapter will ensure you have plenty invested for whenever you do retire, with money left over to pass on to the next generation. And the wealth you pass along will not only consist of cash. It will also be the knowledge you can share with the next generation about how to manage their finances. Knowledge really is power. If I could start all over again with what I know now, I'd be miles ahead of the game financially, and I'd have stopped *needing* to work years ago. The next best thing is making sure that the folks who come after me have the knowledge I wish I had when I was getting started. Let's pass along this financial and informational wealth so the next generation has it better than we did.

PUTTING IT ALL TOGETHER

Investing is the final step in the personal finance system we've been building throughout this book. Your money keeps working for you long after you decide to stop trading time for money through traditional employment. Every dollar you invest now represents time you don't have to spend working in the future. This is how we got here:

STEP ONE Take stock of where your finances are today: how much are you earning, how much are you spending, and how much debt have you accumulated?

STEP TWO Increase the amount of money you save each month by earning more, spending less, and depositing money into your savings account as soon as you get paid.

STEP THREE Use the money you save to build your emergency fund, pay off debt, and invest. Your goal is to have six-months' worth of expenses saved for emergencies, zero in debt, and money flowing into your investment accounts each and every month until you retire.

That's it. That's the whole plan in a nutshell. I am 100% confident in your ability to follow it. Whether it takes you two years or ten years to work your way through these steps, just keep putting one foot in front of the other, and you'll make it to the final destination, building wealth and prosperity for generations to come.

Once you've got your personal finance systems running like clockwork, it's time to put it all together and embrace the financial freedom you've been creating for yourself all along. In the final chapter, we will discuss how to connect your life vision to your financial plan. Before you know it, you'll be financially free, living your vision, and telling everyone you know how they can do it, too.

DEFINITIONS

There was a lot of information in this chapter. Investing is probably the least interesting topic we cover in this book, so kudos for making it this far. The good news is now you have all of the information you need to run your personal finances like a boss. Here are some of the investing terms we covered:

- **401(k) or 403(b):** These are employer-sponsored retirement accounts. The money you put in is tax-deductible. You pay taxes on the money you withdraw and a penalty if you withdraw early.
- **Brokerage account:** An account in which you can buy and sell stocks.
- **Brokerage firm:** A company where you can open a brokerage account. Vanguard, Schwab, and Fidelity are the three big discount brokerage firms.

- **Dividend:** The money you earn as a stockholder.
- **Index:** A specific hypothetical segment of the stock market.
- **Index fund:** A mutual fund that contains a portfolio of stock in companies that mimic an index. VTSAX is an index fund that tracks the entire stock market.
- **IRA:** Individual Retirement Account. This is a brokerage account that you open on your own at the brokerage firm of your choice. When you leave an employer, roll your retirement savings over into one of these accounts so you can maximize your investment options and not be limited by what was in the company plan.
- **Liquidity:** How easy it is to access your money. Money in a checking account is very liquid because you can just go to the bank and withdraw it. Money in an investment account is more difficult to access.
- **Mutual fund:** A combination of stock in various companies.
- **Roth IRA:** This is a type of IRA that comes with special tax advantages. You contribute money after-tax, so you can take out any money you put in without penalty. Plus, the growth of your investments will be yours tax-free in retirement.
- **Stock:** A share of ownership in a company.
- **Stock market:** Where stocks and other types of investments are bought and sold.

SUMMARY

- We live in a capitalist society that benefits the shareholders of our country's most successful companies. Investing in the stock market makes you one of those valued shareholders and is key to your financial success.

- Index investing is the best way to enter the stock market because your investments track the market, ensuring you benefit from its long history of gains over time. You avoid the risk of picking individual stocks and save on active investing fees.
- Invest in your company retirement plan up to any match and then focus on maxing out a Roth IRA if you're under the income limit. As the amount you are able to invest grows over time, you'll eventually max out your company plan and open a regular brokerage account for the rest.

PUTTING THIS CHAPTER INTO ACTION

Right Now: If your company offers a match on any retirement contributions, sign up and start contributing up to the match. Even if you haven't finished building up your emergency fund or paying off debt, you can't afford to throw this free cash away.

This Week: Start researching funds. Look up the funds that are available in your company retirement plan. Do they offer any index funds? Look at the "expense ratios" for the different options (how much they charge in fees). Are there any that are less than 1%? How about less than 0.1%? Try googling "VTSAX + expense ratio." What do you notice about the expense ratio for this index fund?

This Month: If you earn less than $140,000 as a single person or $208,000 as a married couple, go ahead and open a Roth IRA. Check out the websites of a few different brokerage firms and follow the steps to open your account. You don't have to start investing just yet if you're not ready, but taking this step will help you gain the confidence to take the next steps when the time comes.

CHAPTER 8
FREEDOM

We've been on quite a journey together in this book. We started out by opening our eyes to the pitfalls of debt and learning how to make wise choices when it comes to big decisions like buying a car or pursuing a college degree. The first part of the book helped us figure out how to free ourselves from debt obligations and free up a good chunk of our monthly income for a much more important purpose: achieving financial freedom. Then we started down this path by creating a detailed vision for our lives. We also learned how to generate even more cash to put toward our goals by earning more money and spending less of it. Finally, we mastered how to invest all of that extra cash to not only reach our financial goals, but also build generational wealth that lasts long after we are gone. The final step in this process is to connect our financial plan to our life goals to get to financial freedom.

PICK YOUR PATH

Now that you've got your money straight and you are clear on the vision for your life, it's time to put it all together and start executing the path to freedom. When it comes to paths, most folks will fall into one of two groups. The first camp desires the freedom to work the job of their dreams. This includes the freedom to quit a job that no longer serves you, to be selective about what jobs you do take, or to work full-time on your own business venture. This first pathway is all about creating the financial conditions necessary to give you the psychological and financial freedom to make the career choices that match your dream lifestyle.

The second camp desires freedom from needing to work at all. There's a popular TikTok meme in which a woman is asked what her dream job would be. She glibly responds, "Darling, I've told you several times before, I have no dream job. I do not dream of labor." LOL. It's a hilarious meme, but it might actually ring true for you. There are some of us whose dream life doesn't include having a job at all. This second pathway is all about creating the financial conditions to retire early from the workforce. There are plenty of early retirees out in the world living their best lives and proving just how possible this is to achieve.

As you reflect on the vision you created for your life, think about which path most immediately meets your needs. And remember, you can always switch paths or do a combination. It's *your* dream life, after all. The rest of this chapter will help you figure out the financial targets necessary to achieve your goals. You will put together everything you've learned about earning, saving, budgeting, and investing to create the conditions necessary to live your dreams. This is math, not magic, and if you follow the numbers, trust that you *will* reach your goal. Let's get started.

CREATING JOB FREEDOM

If the freedom to leave jobs that don't serve you and choose those you prefer are top of mind, ask yourself what you would need to live your life this way? How much money would you need to have saved to feel comfortable not working for a few months or longer while you seek out the perfect position?

That is the question I found myself asking when I got laid off. I wasn't eager to just jump into something else full-time, so I asked myself what would make me feel financially secure enough to wait until I found a position that was a perfect fit. I went back to some of the tools we've covered so far. I revisited my budget to figure out where I could cut and how much money I would need at minimum to survive. Here is what my original budget looked like (remember, I follow a simple budget plan and put all of my spending money for food, entertainment, travel, and such into one account so that I don't have to track any subcategories):

Original Budget

Expense	Cost
Housing (incl. utilities)	$3,000
Car insurance	$90
Cell phone	$80
Internet & streaming	$80
Spending money	$1,600
Total	**$4,850**

And below is my revised budget. (You'll notice that one of my superpowers is being super cheap with food when I need to save money. Red beans and rice, baby.) I researched what being a roommate looked like, which was around $500 per month. Then I padded my housing budget to include items like Internet or any travel-related expenses for sanity's sake.

Reduced Budget

Expense	Cost
Housing	$1,000
ACA health insurance	$300
Car insurance	$90
Cell phone	$80
Food	$100
Total	**$1,570**

I then took a look at what income I had coming in post-employment. I was lucky to receive a severance package of several months' salary. My layoff also occurred during a crazy time in the market when homes were selling well above the market rate. I decided to move out of my house to save on monthly expenses since my housing costs were nearly $3,000 per month. (If you're wondering what happened to the Airbnb, I had since sold that home and bought a new one when I left New Orleans to accept a higher paying position). I contacted a realtor to run the numbers on how much my house would rent for versus how much I could get from a sale. It turned out that if I cashed out, I'd make a good amount of money from selling it even though I had owned the house for a short amount of time. Together, the money I received from my severance and the sale covered my living expenses for several years into the future, given the rate at which I was planning to spend.

But I didn't stop there. I thought, why spend this money when I can do some contract work on the side to cover my living expenses, which would be quite low anyway, and use the money from my severance and house sale to pad my savings and get me closer to my early retirement goals? (My goals are a bit of a hybrid between job freedom and early retirement; I'll probably still end up working a little after I reach the retirement stage, but I'm happy to work full-time so long as it's a role that I love.)

With that intention in mind, several contract opportunities came up that I happily accepted. One was with a woman I had met professionally who asked if I could coach her in her new executive role. Another was through a colleague who needed to fill a full-time role similar to the one I was leaving. I wasn't interested in the job, so instead, I proposed consulting on a project for a few hours per week. Just like that, I had bought myself an indefinite amount of time to find my perfect next full-time gig—with the option of not returning to full-time work if I enjoyed the extra time enough. I loved having the freedom to work if and when I wanted to, and I believe you deserve that freedom, too.

Let's create your job freedom plan. The first step is to determine how much money you need to have saved in order to feel comfortable quitting your job. This doesn't mean quitting this minute, but it will give you the option and the freedom that comes from knowing you're working by choice and not by necessity. For many people, around six-months' worth of expenses is enough. The likelihood of you finding another job, even a job remotely better than the one you have now while searching for the perfect job, is pretty good within a timespan of three to six months. Most folks are pretty risk averse and wouldn't dare quit their job until they had another one lined up, but having the money saved up gives you peace of mind. You start to see work differently. You know that you are *choosing* to be there instead of *needing* to be, and that's some good psychological freedom if you ask me (anybody envisioning some shackles falling off?). Plus, if things hit the fan and you lose your job like I did, you'll have no need to panic. Instead, you'll be able to take your time and chart out a path to your next perfect position.

Pick your number and open a "job freedom fund" via a separate savings account to park it in. Six months of living expenses is a great place to start, but the number can be whatever amount that makes you comfortable if you quit tomorrow. In *The Simple Path to Wealth*, JL Collins refers to this as your "F—You Money" for a reason. If your number is more than about six-months' worth of expenses, go ahead and put it into an investment account, so it's making money while it sits. If and when you quit your job, you'll have plenty of time during your six-month buffer to determine next steps, and decide to sell off any investments if needed.

The other thing to keep in mind is that this doesn't have to be an all-or-nothing thing. For many of you, starting your own business is the dream. In this case, you may want to spend some time building the business and finding your footing before taking on the stress of working on the business full-time. The full-time business ownership path is a winning strategy if you avoid debt and cashflow your business (covering the expenses with the business's earnings and from your day job, not through debt) until the business can replace your full-time income. This bootstrapping approach works for any business, whether you are selling a product or providing services.

For example, I know a woman working on growing a dessert business that she started as a passion project a few years ago. She's a talented artist who designs cakes and creates delicious treats, so much so that people started asking if they could pay her to bake for them. At first, she wasn't sure she had the time. She was working two jobs (one full-time and one part-time) and taking care of two kids on her own. But eventually, she decided to make a go at creating a business.

She started by baking some of her favorite treats, taking pictures of them to create a pricing book in a simple binder, and bringing samples to work to advertise to colleagues. When people asked where the treats in the break room came from, she told them she had baked them and could make more on request. Before long, word spread, and she was getting orders from friends of friends around town. She started joining Facebook groups for professional bakers and learning how to market her goods and create holiday sales. Now her treats sell out within days during the holiday season, and she has even hired a part-time employee to help fulfill orders. Working the other steps in this book—paying off debt, increasing earnings, and finding creative ways to reduce her budget—she projects she'll be on track to quit her full-time job by the end of the year.

The key is to get started. Once you've set the intention for your life and start taking action steps toward making your dream come true, the most amazing opportunities arise. Pick a target savings number and start putting that money away today. Remember, this is money above and beyond your emergency fund. It's your job-freedom fund. Set up a system so that the money flows into your savings account automatically each pay period, either by adding your savings account to your direct deposit at work or by setting up an automatic transfer from checking to savings each time you get paid. Create a tracker for yourself and check it each month to see how close you are to your goal. Once you've hit your savings target, boom! You're good to go. Literally ;-). With your job-freedom fund established, you can start pouring extra money into your investment accounts. This will ensure you're set up for retirement down the line and have something to show for the lifetime you've spent working. You might just wind up being one of the millionaires next door.

TAKE A MINI-RETIREMENT

There are typically two ways to think about early retirement. One of them is to plan for mini-retirements throughout your career. This option is great for folks who generally enjoy working but who are drawn to the idea of taking extended breaks to enjoy life and live out your dreams while you're young. Also a great option, this path is for those who don't think they can retire fully anytime soon or don't find early retirement so appealing, considering the sacrifices required in the short term to give up working for good. For you, the journey to retirement is a marathon, not a sprint, and you'd like to have your cake and eat it, too. I'm with you, girl. So, let's talk about how to plan a mini-retirement.

I'll kick us off with a real-life example. I have a good friend who works in museum education and absolutely loves what she does. Museum educators don't make a ton of money, but that's not what's important to her. She loves using her history degree to curate exhibits and create learning opportunities for students and adults alike. Working in the museum every day brings her joy, and she's got no reason to want to retire. But she is also a big fan of travel and usually takes a couple of trips every year. A few years ago, she decided that she was in the mood for an extended vacation and decided to take a year off from work. She created a budget for her mini-retirement of $20,000, which would cover visiting several European cities while staying in hostels along the way and then spending a few months living in her favorite US city of New Orleans. She looked up flights and hostel prices, learning the months when it was cheapest to fly overseas, and found the least expensive train and plane routes to travel between countries while in Europe. She then found a sublet in New Orleans and planned out a stay there during some of the most fun—and least hot—months, including Mardi Gras festival season. She set out on her journey and had a great time. Eventually, she made her way back home and found another job in museum education, picking up right where she left off. Most people dream of taking a year off to travel. She showed that it's completely possible. If she can do it, so can you.

The great thing about mini-retirements is that they can take on a variety of forms, and you can set them up to meet whatever desires you have, whether that is a desire to travel, to stay home with your kids, or anything in between. Heck, you could even use the time to go back to school or to do some sort of paid or unpaid internship and gain experience in a new field. The sky is truly the limit here. The first step is to figure out how you would like to spend your mini-retirement and determine how long you want it to last.

Next, you will need to create a budget. Where will you live? How much will travel plans cost? How much will you spend on entertainment or other activities? What type of health insurance will you need (domestic or international) and what level of coverage will you buy? What continued income will you have access to? For example, will you be able to do any consulting or remote work along the way to reduce the amount you need to have saved? The final step is to start socking away the funds to make it happen. Tap into your newfound skills in earning and saving to maximize your budget, create a timeline for when you'll reach your target, then track your progress along the way until you hit the goal. (You'll notice "tracking your progress" is always important in any plan. Regularly looking at your goal and how far you've come toward achieving it can open up new ideas and opportunities for making progress even faster. Trust me; the darndest things happen when you start walking along the path to your goals.)

RETIRE EARLY

Okay, you've read about the dream job scenario and about taking mini-retirements along the way, but you want to go all-in on this retirement thing. It turns out you're in luck because there's a whole financial movement dedicated to people just like you. As discussed in an earlier chapter, the Financial Independence, Retire Early (FIRE) movement is filled with people young and old who are done with working for good—or at least toying with the idea and would like to be in the financial position to pull the trigger whenever they're good and ready.

What's great about the FIRE movement is that it's the opposite of a get-rich-quick scheme. It's not about building a million-dollar consulting or real estate business overnight. There's no need to create some amazing tech product that you can sell for millions or start a company that you can exit a few years down the line for a million-dollar buyout. Instead, this movement is all about the slow-and-steady-wins-the-race point of view, relying on the pure and simple basics of math and index investing.

One of the math formulas that FIRE followers use is based on a study that resulted in what's called The 4% Rule. Several years ago, researchers conducted the Trinity Study,[1] which calculated the amount of money a person could withdraw from their retirement account each year such that the account's overall value would remain the same over time. In other words, it answers the question: what investment amount would work to finance your lifestyle indefinitely in retirement?

By studying the stock market's history, the researchers found that even accounting for all of the market's ups and downs (the Great Depression and the 2008 Recession included), you could safely withdraw 4% of the money you had invested every year and never deplete your account. Later studies have shown that 4% is, in reality, a conservative estimate[2] (remember how the market has returned an average of 10% over the past one hundred years?), so 4% is generally viewed as a safe figure to base your calculations on.

Here's an overly simplified way to understand how The 4% Rule works. Assume that the stock market returns a rate of 7% per year while inflation rarely exceeds 3% per year. The difference between the two, 4%, is the yearly amount of money you can withdraw from your investments (that is, about half of what your investments *earn* in a year) while the remainder continues to grow at the inflation rate, thereby retaining its value. In other words, your lifestyle can continue to keep up with inflation as costs like gas, rent, and food increase each year—and you can keep doing this forever. Isn't math beautiful?

YOUR RETIREMENT NUMBER

Now that you know a simplified version of The 4% Rule (definitely read the full Trinity Study to understand all the scenarios studied), the next question is how much money do you need to invest so the 4% withdrawal rate can fund your retirement dreams. The answer is simple: 25 times your annual expenses in retirement equals your *retirement number*.

Obviously, the less money you need to spend each year in your dream life, the less money you'll need to invest to make it possible. For example, if you plan to spend $20,000 per year in retirement (a figure many early retirees use—remember how easily our mini-retirement friend lived on this amount during her year off?), then you'll need $20,000 times 25, which equals $500,000 to reach financial independence. Your retirement number is $500,000. And 4% of $500,000, or $20,000, will be your annual income. As you can see, the more financially reasonable a lifestyle you can create for yourself, the less money you'll need to get there.

Could you live on $20,000 per year if you didn't have any debt payments? I know I could. Many people live on this amount of money using a range of strategies. These include spending their time traveling to low-cost countries (the "geo-arbitrage" discussed in an earlier chapter), renting rooms in their house on Airbnb to cover mortgage payments, or living in a low-cost city and being super frugal. This amount doesn't have to be your goal, but as an exercise, it might be freeing to think about how you could make it work if you had to.

One of my favorite Black female financial bloggers, the anonymous author of *A Purple Life* blog, used this exact formula to retire at age 30. She set a goal to amass $500,000 in investments in 10 years and reached her goal in half the time. Her blog covers her entire process: setting the goal, working to achieve it, traveling the world, and enjoying complete financial freedom on the latest leg of her journey. I love her story, and her writing is super funny, so I would definitely recommend checking her out. There's nothing more inspiring than reading about a Black girl who retired at an early age and is living out her dreams.

Another way to think about this, especially if your financial-freedom plan includes some form of continued earnings, is to calculate how much *additional* money you would need to live your dream life fully. Think about all of the possible sources of revenue that you could bring in during retirement. Will you receive rent payments? Disability? Child support? Earnings from book sales? If you are nearing the traditional retirement age, you can add in social security as well. There are many ways that people generate income besides nine-to-five employment, and adding in additional revenue sources could be a good way to expedite or fatten your early retirement plan.

Even with these caveats, you might be thinking these numbers are out of reach. Saving $500,000 in ten years sounds a lot like saving $50,000 per year, which is a lot of money. But remember, you have compound interest working on your side. You don't have to come up with all of that $500,000—or whatever retirement number that works for you—on your own. Because your money will be invested for years along the way, the total will continue to grow right before your eyes as interest accumulates. Your investment accounts will be set up so that the interest gets reinvested, helping your money grow exponentially over time. Plus, you'll continue to get raises or higher-paying jobs, financial windfalls, or large tax returns here and there. As you continue along the journey, you'll be able to invest even greater amounts.

You might even find yourself reaching your goal faster than you planned.

If you're wondering how long it will take you to reach early retirement, *Mr. Money Mustache* did us a favor and ran the time calculations based on your savings rate and what percentage of your income that you invest.[3] Let's say you're able to get your take-home pay up to $100,000 using the "earn more" strategies we covered earlier, and you've built out a fulfilling and frugal lifestyle spending only $30,000 per year that you will continue in retirement. At that savings rate, a rate of 70% per year, you can retire in about eight and a half years and be able to continue spending at your current level from living off of the earnings from your investments forever. If early retirement is your goal and you want to retire in less than ten years, then saving 70% of your income will get you there within your desired timeframe. A savings rate of 70% is a common target among those who are serious about reaching early retirement as soon as possible. Folks come up with all sorts of creative strategies to get their expenses down and their incomes up to make the numbers work.

I aim to save 50–60% of my take-home pay each month. As my income increased, I was able to live a pretty nice lifestyle on the net after savings by focusing on buying the things that mattered most to me while cutting everything else. I chose to live in a nice apartment and eventually a nice house—while spending zero money on the latest fashions, paying for cable television, or getting my hair done by a professional (I'm still rocking that curly Afro and loving every minute of it). I worked within the budget I gave myself by choosing my savings rate up-front and then building a lifestyle I could enjoy within those spending limits. That's the path

I chose, but there are many ways to pursue FIRE. Next, we'll talk through some of the different pathways that people have chosen.

FIND YOUR FIRE

Now that you're familiar with the FIRE movement and how the numbers work, decide how quickly you want to reach financial independence, what sort of lifestyle you want to live when you get there as well as along the way, and which approach to achieve all this is best for you. There are many variations to the FIRE journey. A few of the most common are known as "Lean FIRE," "Slow FIRE," and "Coast FIRE."

Lean FIRE is all about frugality. This is for the folks who are willing to do whatever it takes to reach financial independence as soon as possible. They are ready to go hardcore on reducing expenses to the bare minimum while increasing earnings as much as possible to maximize how much they can invest. The 70%-savings-rate people are definitely in this category. What's great about this strategy is that if you create a lean lifestyle that you enjoy, your FIRE number becomes much easier to reach and your lifestyle in retirement is much easier to maintain.

Lean FIRE is probably the most common form of FIRE and generally where the whole thing began. Some of the OGs of the FIRE movement, who've been operating this way before FIRE was considered a thing, started with a desire to live off-the-grid, become one with nature, grow their own food, live in a van, and conserve in other ways. Frugal living gave them the freedom they desired. If that's the lifestyle that brings you joy, go for it. But don't count yourself out of the game if this feels way out of your wheelhouse.

If you're like me and prefer to invest for retirement while enjoying a few luxuries along the way, Slow FIRE may be more your speed. Slow FIRE is all about taking a balanced approach to early retirement while allowing for the possibility of enjoying your current life instead of doing whatever it takes to escape it.

Personally, I like to enjoy a few of the finer things in life. I drive a luxury trim SUV, own a house full of nice furniture, enjoy streaming shows on my big flat-screen TV, and tend to hang out in stage-side seats at Beyonce concerts. To find balance, I save to buy the things I value along the way with cash while keeping my overall monthly expenses comparatively low. I'm certainly not the leanest of the lean, but I feel pretty darn good saving over half my income each month and secure knowing that early retirement is part of my future.

If you're married, Slow FIRE could look like saving all of one person's income while using the other's for monthly expenses. In my opinion, this is the best early retirement route. Saving and spending play equal parts in the plan, and enjoyment of life is a top priority. But you can go as fast or as slow as you'd like.

The other path I want to make sure you know about is called Coast FIRE. This path is especially powerful for folks earlier in their professional journey, those who haven't worked their way up to more expensive lifestyles just yet. The way Coast FIRE works is that you invest like crazy early on, taking a leaner approach to how you live to maximize the amount of money you invest. After a while, you will have enough invested at an early enough age that the money will continue to grow on its own, without any additional investments from you, to reach your FIRE number by the age you intend to retire. Coast FIRE calculators online can help you determine how much to invest based on your projected retirement number and the amount of time until you want to retire.

Folks who follow this path benefit from frugality in their younger years (remember when having roommates was super fun?). They also benefit from knowing they can spend more worry-free as they get older because their retirement is taken care of. I have a colleague who is doing this now. He's a smart guy who got a high-paying consulting job right out of college. He used his earnings to buy a house with multiple rooms, which he rents out to friends. Not only are his housing expenses fully covered under this arrangement, but he travels so much for work that he gets reimbursed for many of his other expenses. Meanwhile, he is investing nearly all of his six-figure income. By the time he and his girlfriend decide to get married and have children (this is one of his goals), he'll be so far ahead of the game that he'll be able to switch gears and dedicate much more of his income to the family while his investments hum along in the background.

These are just three of the most common FIRE paths, but there are many ways to make early retirement work for you. The first step is to think about what you want out of early retirement. Do you want to live a lavish lifestyle, or would you be happy living frugally, so long as you're free from having to work? Which aspects of your lifestyle are negotiable and which are here to stay? Many people I talk to are already married with children and so anticipate more expenses in the years to come. There are examples of folks who followed Lean FIRE with a family, but it may not be a sacrifice you and your partner are willing to make. What other creative solutions can you generate to reach your goal? Will your partner continue to work? Are there any side hustles or additional revenue streams that call to you? Are there unique skills or opportunities you can take advantage of? Or maybe it's time to pick up and move to another, lower-cost country and give the kids an experience of a lifetime. These are all paths that families have followed to reach FIRE with little ones in tow. One of my favorite families to follow documents their journey moving with their two school-aged girls to Portugal as early retirees. You can follow them on their YouTube channel and website, *Our Rich Journey*. It all comes down to establishing your goals and then mapping out a plan to get there.

I hope it's been inspiring to learn about the many ways that early retirement can be a part of your future. But, it's also worth stating that FIRE isn't for everyone, so don't feel bad if this lifestyle isn't for you. As this chapter has shown, there are many paths to financial freedom; some involve working, and some don't. Some involve extreme frugality, and others entail enjoying your money both now and later. Some folks will choose to start a business, and others will enjoy continuing to work in their chosen career for many years to come. Think back to the vision you set for your life in Chapter 5 and start walking toward *that* destination today. One step in the right direction just might be the move that changes your life forever.

SUMMARY

- There are generally two camps when it comes to achieving financial freedom: the freedom to work the jobs you want (job freedom) and the freedom not to work at all (early retirement).
- To achieve job freedom, you will need to create a "job freedom fund" to finance your lifestyle during times when you are not working.

- To retire early, you will need to invest 25 times your projected annual expenses. Having this sum invested in index funds allows you to live off of the dividends indefinitely.
- There are multiple paths to early retirement if this is your goal. Lean FIRE relies on frugality, Slow FIRE relies on balancing your investing with your spending, and Coast FIRE relies on making significant investments early in your career to create more spending freedom later on.

PUTTING THIS CHAPTER INTO ACTION

1. **If job freedom is your goal:** Start by creating your bare-bones survival budget. Be sure to include the basics, like a place to live, a minimalist food budget, and health insurance.
2. **If taking a mini-retirement is your goal:** Map out what you would spend money on during your time off. This could include down-to-the-basics budget items as well as any travel and entertainment expenses.
3. **If early retirement is your goal:** Estimate what your expenses will look like once you are fully retired. How much will you spend on necessities as well as ongoing fun? Remember the vision you created for yourself in Chapter 5, and be sure to include all of the things you want to experience during retirement in your budget.
4. **Use this information to align your savings and investment plan:** Open a separate savings

account to start socking away any money you will need in the next five years. Next, go back and ramp up your savings plan from Chapter 6. How much *more* money can you aim to save each month so that you reach your goals even faster? Can you find ways to save 50% or more of your income if early retirement is the goal?

5. **With your plan in hand, think of how you will monitor your progress:** Will you create a Google spreadsheet that you update every month to ensure your total savings are on track? How about a paper tracker that you can fill in as you reach different milestones along the way?

Freedom Budget

Expense	Cost
TOTAL	

CONCLUSION

I considered waiting to write this book until after I hit my retirement number and had officially reached FIRE. But then I thought about how much I regretted not having learned this information earlier, and I knew I couldn't wait. If I had known about the FIRE movement, I would have saved up a healthy nest egg while I worked at my first job, which happened to be at a boarding school that completely covered all of my living expenses. If I had known about the pitfalls of debt, I would never have bought a brand-new car or signed up to pay for my master's degree with loans. I'd like to think that the momentum of watching my investments grow over the years would have prevented me from racking up thousands of dollars in credit card debt that took me years of hard work to pay off. I made so many mistakes along the way that I'd hate to see even one more Black girl make when there is a clear and simple alternative.

The value I place on learning lessons and reaching out to help those who come after us is one I learned long ago. Growing up, my mother always told us to make *new* mistakes. Why repeat the mistakes that other people in our family had made when you could learn from them and chart a new path? She encouraged us to get out into the world, take risks, and make our own new mistakes. I'm so grateful for the wisdom from my mother that sticks with me today, and this piece of advice has certainly served me well.

In addition to what I have learned making my own mistakes, I've learned valuable lessons from the dozens of financial bloggers and FIRE followers who have shared their journeys with the world; my only wish is that I had found them sooner. I hope this book reaches a new group of women—especially Black women like the one I was and am today—who can benefit from this knowledge, put it to great use with the many talents and incredible reach we possess, and spread the message even further to other women and to the next generation.

I hope, too, you've been able not only to internalize my advice as you've read this book, but also to find the motivation to start putting the book's ideas and tools into practice. One of the key takeaways from my financial journey has been that avoiding any form of debt is an essential step to ensuring that as much of your money as possible is available to invest. I've seen too many women shed tears over their debts, wondering how they're going to make ends meet, and feeling like every paycheck barely reaches their hands before it heads right out the door into the pockets of a creditor. Women of all income backgrounds have this experience, but this doesn't have to be our reality. I won't go as far as saying that you must commit to never participating in the credit system, but I sincerely hope you never ever find yourself in debt. And if you are in debt, I hope you're able to get out as quickly as possible and that I've helped to give you ideas on how to do so.

The second half of the book introduced a simple formula for building lasting wealth. Instead of teaching us about credit cards and interest rates, I wish The 4% Rule was taught in school. The most encouraging financial advice I have found during my years of studying this topic is that investing as much money as you can as safely as you can is an all but guaranteed route to financial security. It's the simplest path I know.

For every person who finds themselves trying to time the market by day trading or who reads a zillion books on millionaire strategies that offer more fluff and "mindset" advice than actionable strategies, there is someone reaching financial independence using this tried-and-true method. I love reading the stories of young professionals who decided enough was enough and ventured out to chart their path to freedom. Some of these people fell into financial freedom after trying a number of strategies, achieving short-term freedom, and wondering how to make it last. Others did the research, ran the numbers, and started out on this path right away.

It inspires me to see their stories, people who are financially free at my age and living out lives on their own terms. I've listed the resources that tell these stories at the end of this book so you can read them, too. If you are a young woman reading this book, this is the future I see for you. And if you're a middle-aged woman, it's never too late to get started. I'm freer than I've ever been, more confident, in control of my finances and my life choices, and hopeful about building a life for myself that I don't regularly seek to escape. If the minimum you do over the next few years is build up a healthy nest egg for yourself, and ensure a secure retirement as you age, you will have achieved more than most. That is definitely a win.

The part of the book that I truly hope you take to heart is the fact that you can create a vision for your life and begin taking steps today toward making your dreams come true. Some years ago, I found myself on a coaching call with blogger and coach Mastin Kipp. He had me think back to the earliest moments I could remember when I felt truly happy and at peace. The earliest moment for me was when, as a young girl living with my teenage mother in my grandmother's house, I would go and stand by the door in the kitchen and wait to be let out. My family knew exactly what I wanted. They would open the patio door to reveal a little plastic pool that they would generously fill with water from the garden hose. I loved swimming in that pool. I would lay back and stare up at the sky for what felt like hours on end. I felt truly free in those moments.

Mastin pushed me to consider a moment when I felt truly happy in young adulthood. I thought back to the first recruitment trip I took during my time working at the boarding school. I can still remember how brightly the sun shone on that flight from Boston to San Francisco, how happy the flight attendants seemed. I had a definite sense of purpose. As I poured over my notes and prepared for my presentations, I smiled at the fact that I was living a dream, some serendipitous form of déjà vu. Flying around the country on business trips and doing work that felt important to me was a vision I had long held for myself. I remember thinking at that moment that dreams really do come true.

Mastin asked for my example from the present. I thought about the many times that people have told me how my life inspired them. I had taken risks, left home for the Ivy League, taken on nontraditional jobs, traveled around the world, and it didn't look like I was slowing down anytime soon. Countless people have told me over the years how something they saw me do gave them the motivation to take a risk in their own lives. For a while, a lot of people were quitting their jobs after hearing about my choices (which scared me for a bit), but I came to realize that seeing someone experience freedom ignites a spark that can lead you to do the same. During that same stretch of time, my mother, who had spent her entire life living in the same town that she, and her parents, had grown up in, took the leap to move to a city she had dreamed of living in for years. It turns out that in seeking to make new mistakes, I was also charting a path that generations before and after me could follow.

I hadn't seen the through-line connecting all of these experiences until Mastin asked me what the stories I'd told him had in common. It became obvious to me in that moment that my life had been about showing people what was possible, that dreams do come true. The earliest version of this for me was all about wanting freedom; and it's a deeply held value that still matters to me today. That is the message at the heart of this book. I want you to feel free to make your own decisions, to live a life of your own choosing, and to experience waking up to a dream turned into reality. This is purpose work for me. Financial security helps lay the groundwork for experiencing that level of freedom, but the truth is that you don't have to wait. You can start building the life you want today.

I've learned a lot on the path to financial independence, and I am excited about my progress thus far. But you'll notice I don't believe in using future financial goals as an excuse to avoid enjoying life in the present. I'm a "middle path" kind of girl because I believe in enjoying the journey as much as I intend to enjoy the destination. I haven't always been this way. Instead, this is a lesson that became abundantly clear to me just a few years ago.

On October 13, 2018, I lost my mother to cancer. She was just 54-years old. I had imagined us growing old together. She was only 19 when she gave birth to me, so I assumed our closeness in age meant I'd have her around for many years to come. Experiencing her death really changed my perspective on life. I suddenly gained newfound clarity on the fact that life is meant to be lived today, not merely endured while awaiting some imagined future.

In many ways, this book is in homage to her. In her short time on earth, she poured everything she had into my sister and me. I truly believe that motherhood was her great calling—she mothered, nurtured, and mentored so many people it's difficult to count. And it feels like she passed the baton on to me to continue running the race toward a purpose-filled life that deeply impacts the lives of the people around me. With this book, I hope I've made her proud.

Now that you have this information, my final and most important request is that you do something with it. Start making changes in your own life and share this information with another person, young or old, who can use it. Let's start a movement and inspire a generation of Black women like you and me to break free and truly live. Today and forever.

RESOURCES

To read more about personal finance and financial independence, here are some of my favorite books and blogs to get you started:

BOOKS

- ***The Simple Path to Wealth* by JL Collins** (Create Space, 2016): This is my favorite investment book. I love that JL Collins wrote this for his daughter, and I only wish someone had laid out such a simple financial plan for me while I was growing up. He covers everything from index investing to home ownership and explains some of the nuances of this investment strategy. He also shares the specific funds that he currently invests in during his own retirement.
- ***Your Money or Your Life* by Vicki Robin** (Penguin Books, revised edition 2008): Vicki Robin is considered a founder of the FIRE movement. She wrote this book decades ago, and she and her husband have been enjoying a retired lifestyle for decades. The latest edition of her book has information dedicated to the FIRE movement as it stands today.
- ***The Next Millionaire Next Door* by Thomas J. Stanley, PhD & Sarah Stanley Fallaw, PhD** (Rowman & Littlefield, 2020): I read the original version of this book in college and appreciate that the author's daughter kept the legacy going by publishing this profile of today's millionaires. You'll be surprised to hear how frugal these folks are and the everyday ways in which they built their wealth. By the end, you might just start to believe you can do it too.

- ***Quit Like a Millionaire*** **by Kristy Shen & Bryce Leung** (Penguin Publishing Group, 2019): Kristy and Bryce retired at the age of 30. This book talks about their investment strategies both before and during retirement. They've been traveling the world ever since. Kristy also has a compelling life story that proves anyone from any background can retire early if they choose.
- ***The Total Money Makeover*** **by Dave Ramsey** (Thomas Nelson, 2013): This is the book that changed everything for me. Dave Ramsey has been living a life completely free of debt or any use of credit for decades and has helped thousands of people pay off millions of dollars in debt. People travel to his studio from all over the world to do their debt-free screams and celebrate their freedom from this oppressive social system.
- ***Designing Your Life*** **by Bill Burnett & Dave Evans** (Knopf Doubleday Publishing, 2016): Designing a dream life is very important to me, and this is one of my favorite books on how to do it. Using a research-based, design-thinking method, the authors help you design your very best life.
- ***The 4-Hour Workweek*** **by Timothy Ferris** (Harmony/Rodale, 2009): Tim Ferris changed the world with this book, exposing thousands of readers to the reality of a life free from having to work. This book not only shows you how to build passive income through business ownership, but challenges your thinking about the nature of everyday work.
- ***I Will Teach You to Be Rich*** **by Ramit Sethi** (Workman Publishing, 2019): This is a great book about budgeting and saving money. Ramit challenges common notions about

managing your daily finances and uses psychology to help you create strategies that work in the real world.

BLOGS

- ***Mr. Money Mustache***: The blog I credit with introducing me to the FIRE movement through the frugality and simple math examples he provides on his website. There are thousands of *Mustachians* all over the globe following his advice and living lives free from work. He retired at 30 and never looked back.
- ***A Purple Life***: This Black female blogger recently retired at 30 and chronicles the entire journey on her blog. I liked reading the story of someone I could relate to who is younger than I am and found a way to make her dreams come true financially.
- ***Afford Anything***: Paula Pant is my favorite financial advisor of all time. I found her when I was doing research on how to make my Airbnb business lucrative and learned that she too discovered the path to early retirement around 30. Paula is an avid real estate investor and is the first person you should look to if you want to follow this path. Her real estate course is the best in the business, and she provides clear and realistic advice.
- ***Our Rich Journey***: Christina and Amon Browning are a Black couple with two young girls, who retired at age 40 and moved their family to Portugal. They did some of everything to hit their retirement number of $2.5 million while working middle-class jobs, and now they've got the girls investing, too.

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They say everyone has a book inside of them, but I will tell you it's quite an undertaking to get it out. I have to start by thanking my phenomenal woman of a mother, Tracey Lynn Woods, for all of the lessons and love she bestowed upon me during her 54 years of life. I would not be the woman I am today without her, and she continues to guide me every step of the way.

You can tell how successful you will be by looking at the friends you keep. I am so grateful to be surrounded by amazing women (and men) who jumped into action when they learned I was writing this book. I am blessed to be friends with *doers*, people who not only dream big dreams but people who also go out into the world and make things happen. I am inspired continually by every person I call *friend* and am grateful for their continued encouragement and support with each new page I turn in this life.

I especially want to thank the friends and colleagues who offered their valuable time to read drafts of this book and give me honest feedback:

Tanya, thank you for being my friend all of these years and for taking the time, in the midst of raising a huge family of your own, to read multiple drafts of this book. I am incredibly grateful for such a kind, encouraging, talented, and intelligent friend such as yourself. A true and talented educator, your feedback was so encouraging and thorough. This book definitely wouldn't be what it is without your help.

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Eden, thank you for reading an early draft of my book and giving honest feedback from a young professional's perspective. I hope plenty of young women like you get the chance to read it as well and that it resonates with them as a result of your feedback.

Tiffany, thank you for encouraging me on this journey and for reviewing a later-stage draft of this book, which was much longer than the drafts I asked other folks to review. I can't wait to read a book of your own, so get writing.

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ABOUT THE AUTHOR

Paris Woods is a first-generation college graduate of Harvard University and a lifelong educator, having worked at some of the country's top institutions. The daughter of a wise mother who encouraged her to venture out into the world and make "new mistakes," Paris learned the hard way how to manage her finances and achieve financial freedom. Through years of trial and error and the guidance of numerous FIRE (financial independence, retire early) experts, Paris landed on some simple principles that completely turned things around for her financially and in life. Her debut book, *The Black Girl's Guide to Financial Freedom*, teaches readers how to win financially while living a life they love. Writing with the heart of a teacher, Paris breaks down seemingly complex financial topics into simple and actionable advice anyone can follow.

Paris is a two-time graduate of Harvard University with a bachelor's degree from Harvard College and a master's degree from the Harvard Graduate School of Education. She is currently a doctoral student at the University of Texas at Austin.

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