The Total Money Makeover Summary (with Free PDF)

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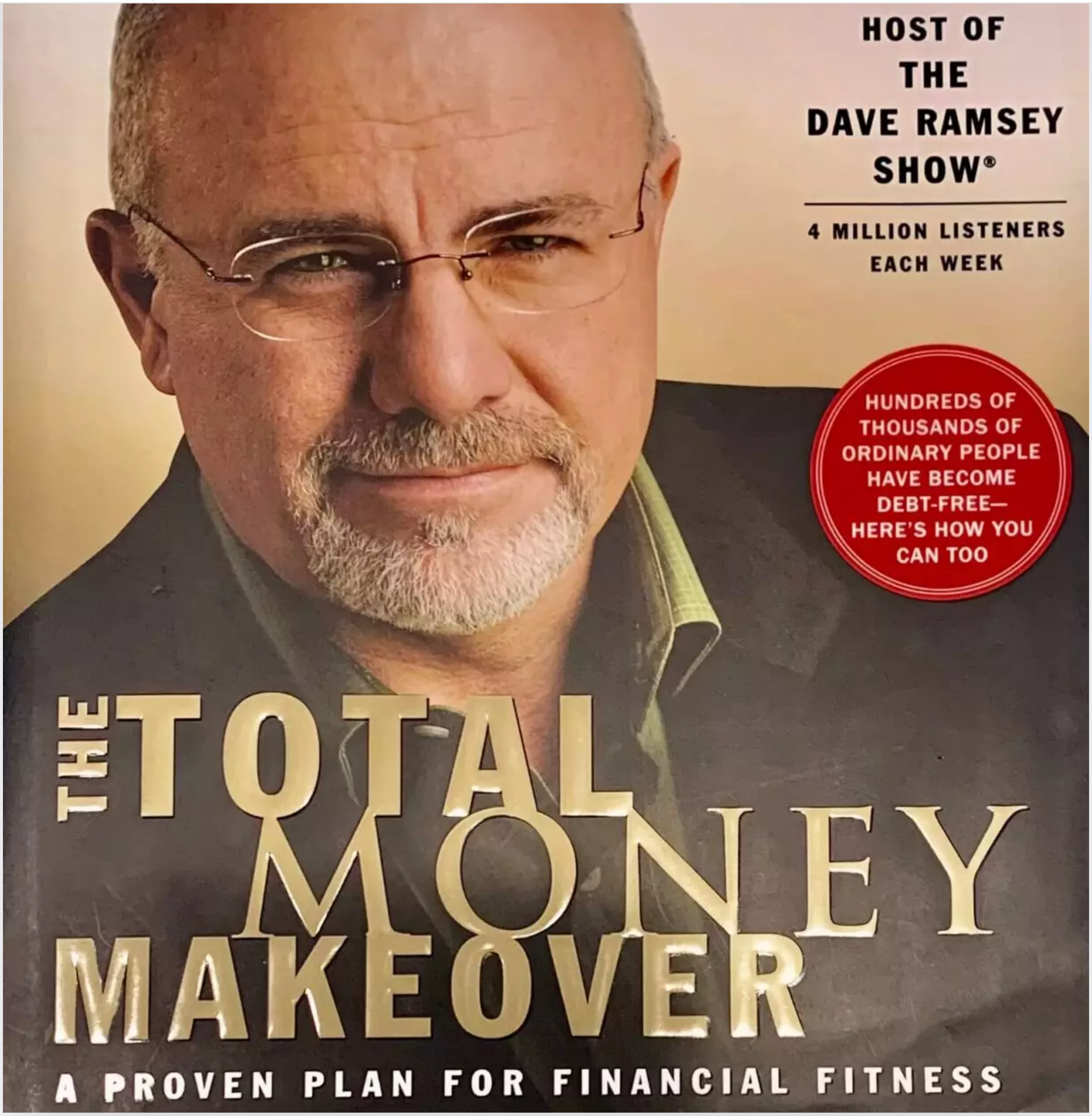

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The Total Money Makeover Summary (Click Here

One built his house out of straw and finished building it in one day, one out of twigs and finished building it in 3 days, while the third pig took his time and built his house out of brick over the course of one full week.

The two who quickly built their houses wasted time partying and playing and constantly made fun of the bricklayer because he took too much time and effort to do it right. But when the wolf came and huffed and puffed and blew both the straw house and the house made of twigs down, both brothers ran over and moved in with the brother who made his house out of brick because he had built his house with a strong foundation that could survive.

Likewise, in 2008 when financial disaster came, only those who built their financial houses with a solid foundation could survive, and the rest got blown over. Dave Ramsey was one of those intelligent people that survived, and more importantly, was able to thrive during the 2008 financial crisis. Ramsey bought real estate and stocks at low prices during the crisis and made millions of dollars since.

But looking back twenty years earlier, Ramsey and his wife had their finances wiped away due to high debt, amongst other financial mistakes.

They were so-called millionaires. They owned millions of dollars in real estate, but they ended up losing it all and had to file for bankruptcy due through that ended up shaping the foundation of The Total Money Makeover. So, in summary, The Total Money Makeover by Dave Ramsey illustrates solid financial principles that he learned over the years and which are proven to work.

Without further ado, here's a summary of The Total Money Makeover by Paul J Paquin – the CEO at Golden Financial Services. Paquin's company, Golden Financial Services, helps consumers get out of debt. Paquin's insider experiences in seeing how people get into debt and watching them transform their lives from being buried in debt to becoming debt-free offer an extra layer of expertise to the following summary.

Biggest Financial Mistakes Mentioned in The Total Money Makeover

1. Keeping student loans because they have low interest rates.
2. Leasing cars.
3. Having credit cards as a "Status Symbol."
4. Paying interest every month rather than earning interest.
5. Buying stuff on credit cards rather than with cash.
6. Not correctly assessing your earning capacity, resulting in living above your means.
7. Spending more money just because your income goes up. If your income goes up, don't buy a bigger house and new cars; instead, save more.

How to Be Proactive and Avoid Getting Into Debt in the First Place:

1. Long-term thinking is a must. For example, you can't use debt to invest in stocks or real estate expecting a quick return because, as Ramsey says, "You'll go broke when the market turns." Nobody can predict the stock market in the short term. For tips on investing in stocks, check out our summary of One Up On Wall Street.
2. Don't let yourself get into debt by increasing your spending just because your income rises. Instead, keep expenses low and pay your bills in full every month. If your income increases, save more money. Otherwise, with interest, when the next downturn comes, balances can quickly grow, and you'll find yourself overwhelmed with bills trying to figure out how you'll ever be able to afford to pay off all the debt.

Summary of the Best Myths in The Total Money Makeover

Throughout the book are financial-related Myths. Here are a few of my favorite.

Myth 1:

"Debt is a tool and should be used to create prosperity."

Banks will tell you this because they want you to take on debt so they can earn interest.

"Playing the Lotto and other forms of gambling will make you rich."

According to Dave Ramsey, "Lotto and Powerball are a tax on the poor and people who can't do math."

Myth 3:

"If I loan money to friends or relatives, I am helping them."

According to Dave Ramsey, "If I loan money to a friend or relative, the relationship will be strained or destroyed. The only relationship that would be enhanced is the kind resulting from one party being the master and the other party a servant."

Myth 4:

"By cosigning a loan, I am helping a friend or relative."

According to Dave Ramsey, "Be ready to repay the loan; the bank wants a cosigner for a reason, which is that they don't expect the friend or relative to pay. "

Myth 5:

"Car payments are a way of life; you'll always have one."

"Leasing a car is what sophisticated people do. You should lease things that go down in value and take the tax advantage."

According to Dave Ramsey, "Consumer advocates, noted experts, and a good calculator will confirm that the car lease is the most expensive way to operate a vehicle."

Myth 6:

"You can get a good deal on a new car at 0 percent interest."

According to Dave Ramsey, "A new car loses 60 percent of its value in the first four years; that isn't 0 percent."

Myth 7:

"Debt consolidation saves interest, and you have one smaller payment."

Dave Ramsey says, "Debt consolidation is dangerous because you treat only the symptom."

When you get a consolidation loan, you only transfer one debt to another, not fixing your debt problem by getting rid of your debts. Debt consolidation loans appeal to many consumers because the loan offers a lower payment. Still, in the end, that consolidated payment can

Myth 8:

"It is wise to keep my home mortgage to get the tax deduction."

Ramsey says, "Tax deductions are no bargain."

Myth 9:

"It is wise to borrow all I can on my home (or continually refinance for cash out) because of the great interest rates; then I can invest the money."

Ramsey says, You really don't make anything when the smoke clears."

Ramsey makes another good point about refinancing; you are only a good candidate for refinancing if you plan to stay in your home longer than the number of months to break even.

Myth 10:

"The home-equity loan is good to have instead of an emergency fund."

Ramsey says: "Emergencies are precisely when you don't need debt."

Time to Talk About "The Baby Steps"

is, you have to know where your money is getting spent to cut back on wants and ensure your money is appropriately allocated towards paying off debt.

Ramsey says to "Set up a new budget every month. Don't try to have the perfect budget for the perfect month because we never have those."

And your spouse must agree on the budget. If you're not both on the same page, it'll never work.

Baby Step 1: Save $1,000 fast.

As explained in The Total Money Makeover, "Saving that initial $1,000 is so essential to the rest of your Total Money Makeover. It teaches you how to prepare for your unknown future and trust that when things do come up, you'll be able to handle them. " Like with the three little pigs, make sure your house is the one that holds up.

Baby Step 2: Start the Debt Snowball to Get Rid of Debt.

1) List your debts in order from small to large. Ignore the interest rate.

2) The objective is to pay off your smallest debt first because that's how you'll get the quickest result.

As Ramsey says, "Paying the little debts off first gives you quick

Baby Step 3: Finish the emergency fund.

At this point, you'll have no debt besides your mortgage and $1,000 saved.

According to Ramsey, "A fully-funded emergency fund covers three to six months of expenses."

A fully-funded emergency fund is equivalent to saving $5,000 to $25,000, depending on the size of your family and home.

Baby Step 4: Invest 15 Percent of Your Income in Retirement.

Ramsey explains, "Invest 15 percent of before-tax gross income annually towards retirement." However, don't invest more than that because you'll need the extra money for the next two steps (i.e., college savings and paying off your home early).

Using a 401(k) is one way to invest before-tax gross income. If you're an entrepreneur or a small business owner, you have the option to use a Simplified Employee Pension (SEP) IRA plan to invest before-tax gross income.

There is also the Solo 401(k) for small business owners that don't have employees.

2) Income Paying Stock Mutual Fund

3) International Stock Mutual Fund

4) Aggressive Growth Stock Mutual Fund.

Also, Ramsey recommends, make sure to max out your Roth IRA every year.

When will you be ready for retirement?

When your earnings on your investments can replace your job or business income, you can retire (if you want).

Baby Step 5: Set up an Educational Savings Account (ESA)

This account will grow tax-free when used for higher education. Fully fund this account every year. Start your ESA (if possible) when your child is under eight, but better later than never. Ramsey says, "If you want to do more than the ESA, or your income rules you out, you may want to look at a 529 plan."

Ramsey says, "Through your ESA, invest in a growth stock mutual fund."

In other words, invest the funds held in your ESA into a low-cost index fund made up of growth stocks. The goal of this fund will be to produce

Baby Step 6: Pay Off Your Mortgage.

Baby Step 7: Build Wealth and Give.

When to consider a debt relief program?

Consider a debt relief program if you can't afford to pay more than the minimum payment on at least one of your debts.

Unfortunately, debt relief programs will lower credit scores and result in several years to rebuild your credit score. However, if an account gets invalidated, the debt does not have to get paid and can no longer legally remain on credit reports. **Contact a debt counselor at Golden Financial Services for a Free Consultation to learn more about debt relief programs at (866) 376-9846.**

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refrain from making) any action. You alone are responsible for making financial decisions appropriate for you based on your situation and personal financial goals. Some of the viewpoints in this summary of The Total Money Makeover may not be exactly as Dave Ramsey intended them to be and are based on the author's understanding of the book. Please refer to the book, The Total Money Makeover, to verify specific details and word-by-word definitions."

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