

WHAT THEY DIDN'T TEACH YOU IN SCHOOL ABOUT MONEY



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Table of Contents

Introduction

[What does money mean in your life?](#)

[Are you managing money well?](#)

[What schools taught you about money](#)

[Learn about money](#)

Chapter 1 – What is Money?

[Where does money come from?](#)

Chapter 2 - How is Money ‘Made?’

[The role of the Federal Government](#)

[What is the Federal Reserve?](#)

Chapter 3 – Steps to Earning Money

[Investing](#)

[What about the less obvious ways to make money?](#)

Chapter 4 – Learn to Manage Money

[What is money management?](#)

[Develop a budgeting regimen](#)

Chapter 5 – Negotiate Everything

[Do your research](#)

[Be willing to walk away](#)

Chapter 6 – Credit

Chapter 7 – The Spending vs. Savings Mindset

Chapter 8 – Learn to Live Below Your Means

Chapter 9 – Save or Invest at Least Half of Any Raise You Receive

[The temptation](#)

Chapter 10 – Spend at Least One Hour a Week Educating Yourself

Work on a weekly budget

Develop positive habits

Conclusion

Introduction

How important is money in your life? Does it have a significant value or mean something more than just a means to an end?

Do you find yourself thinking about money and what you could do if you just had a little more?

Do you envy the people who have it and think that you deserve a share of it?

Does the idea of a major corporation having billions of dollars in stock market shares laying people off make you angry, but not because it's unfair but because of all the things that you could do if only *you* had that money?

Okay, there are plenty of people who would argue that it's important to 'share the wealth,' make the 'rich pay their fair share,' or do more to 'help the little guy out.'

The truth about money is that it is a powerful entity, whether you want to admit it at the moment. Money is and will always be an inanimate object.

What does money mean in your life?

So I want to ask you what money means in your life. What value do you place on money? Do you give it high value and focus on earning as much as you can every day? Do you constantly try to find ways that you can earn more? Do you connive and plot ways to get more?

If so, for what purpose?

At the moment, we are still mired in one of the worst recessions in almost forty years and jobs are not that easy to come by. Companies are laying people off and cutting back hours to save money, so maybe you are trying to earn more money so that you can pay your rent or mortgage, put food on the table, and have just a little entertainment.

That's fine. It's the necessities in life that often drive us to do the things we do. But ultimately, you need to be able to understand how to define money and what it means in your life.

Why?

If money takes on more importance in your life than other things, such as relationships, then you will begin to make the wrong decisions for and about your life. What happens when you're making good money? Do you spend it?

Most people in the United States have a tendency to spend. Through the 1980s and well into the first part of the 2000s, we lived on credit. Credit was easy to come by and you could simply sign up for a new credit card, charge to the limit, and keep buying more things that you figured you wanted.

The 'wants' in life became 'needs' and even now you can see that rampant in just about every corner of society. We think that we *need* iPhones or large, flat screen TVs, Air Jordan sneakers, jewelry, and all the other things that we measure our self worth by.

However, those aren't needs and it's based on how you value money and what it means to you. So, does money measure your life and success with others? Do you judge your own success, or others, based on what you have or what they have?

If so, then it's time to take a step back and re-evaluate the meaning of money in your life. This doesn't mean that you shouldn't enjoy the fun or finer things in life, but that you need to put money in its proper place.

When you place the need for money ahead of more essential and basic needs, then it will begin to *control* you. You'll reach a point where the pursuit of money becomes more important than the pursuit of your dreams, your passions, relationships, family, and even success.

When you have the value of money in its right place, then you will be in a better position to manage it.

Are you managing money well?

When you earn money, what do you do with it? If you are living paycheck to paycheck, you may simply state that you're spending it on your living expenses, that there's nothing you can do to manage it better.

But is there?

Even if you're struggling to make ends meet, there are usually ways to save money that won't force you to sacrifice yourself in the process.

Is your home or apartment too expensive for you? If so, then why are you living there? Because you don't want to live in a smaller studio or share a house with someone else? That's okay, but if that's the case, then your lot in life, your paycheck to paycheck lifestyle *is* a choice.

What about your car? Did you buy a new or nice used one with a loan? Why? Couldn't you have purchased an older model outright? Save for a little while and pay cash for it?

What about cable TV? Do you have the basic channels or just about every single one under the sun? *But you just can't cut out Breaking Bad or the Walking Dead*, right? That's a choice and if you're struggling to make ends meet, you're choosing that path.

You're not managing your money well.

What schools taught you about money

Few public schools really get into financial lessons and that's a tragedy. You may learn the basics of economics, but they don't tell you how to manage it, what to look for, how to invest, or how to save.

They may go through the basics, but aside from that, by the time you graduate and head off to college or join the workforce, you're on your own to try and figure it out.

Throughout school systems across the country for the past twenty or thirty years, we've been taught that we're worthy, that we should have what we want. The American Dream has been distorted.

This country was founded on the principles that everyone should be free to pursue their dreams, their happiness. Instead we're now taught that it should be given to you. So you graduate, measure yourself against celebrities or people who might have a little more at the moment, and then make decisions trying to 'measure up.'

You don't have to continue running along on this cycle. You can make a choice to stop the madness.

How?

Learn about money

Take the time to learn about money. Find out what they didn't teach you in school about money. Once you have the information and education, you'll be in a better position to manage money, plan for your future, and ultimately *have* more money.

The more money you have, the more *power* you'll have. This doesn't mean you'll have power over others, but more power in your life, to make better decisions and have more options available to you.

Now, isn't that something we should actually have learned in school? Something that will have *real* value in our lives?

Yes. So let's get started.

Chapter 1 – What is Money?

Before you can take stock in what you have, before you can actually have a plan for earning and managing money, you should understand what it is. The simple answer is that it is, as it states on the bills we use for currency, that it is legal tender.

But what does this mean? When it all comes down to the basic core of money, what does it mean to be legal tender?

In a nutshell, that basically means that it represents a specific debt that is used in modern commerce.

Money = debt.

You're probably sitting there thinking, "What? That doesn't make any sense. How can what I have *earned* be considered *debt*?"

Essentially, the U.S. government no longer places money into circulation. The Federal Reserve does that.

How does the Federal Reserve put money into circulation and how does this process mean you're carrying around debt instead of cash?

Let's put the idea of debt out of the equation for a moment. First, let's discuss the entire process of money in circulation. When the federal government needs money, it goes to the Federal Reserve. The Federal Reserve is not a government agency, though through Congressional approval over the years it now has board members, including a Chairman, who are nominated by the President and approved by Congress.

Now, when the U.S. government needs money, the Federal Reserve buys government bonds in the form of treasuries.

The Federal Reserve then issues Federal Reserve Notes, which is what you probably have in your wallet or purse right now. Don't believe me? Take out a bill and look at it. What does it say across the top? "Federal Reserve Note."

It also states on the bill that “This note is legal tender for all debts, public and private.”

It's legal tender for all debts. Now, that means when you go to the store to buy a gallon of milk that costs \$5, for example, you're not handing over money, you're actually handing over to the merchant (the cashier) a note that will satisfy the debt that you have just taken on.

Confused? Hang with me for a little while longer.

Money is what allows us to purchase the things we want or need and each dollar, or 'note,' represents a specific value, and that value changes over time. For the most part, the dollar loses value every year thanks to inflation.

Inflation is essentially a rise in prices, usually measured on an annual basis, and is the result of too much capital in the system, with too few opportunities. In other words, when there is more money in circulation than the goods and services produced, then inflation will increase.

Currently, inflation is rising steadily because the Federal Reserve is pumping \$85 billion a month into the U.S. economy. However, that 'money' isn't backed by anything. It's actually made out of thin air, so to speak, and eventually it's going to have serious ramifications on the entire economy. In other words, that bill for printing money out of nothing will come due.

If you have heard of Bernie Madoff, then you've heard about Ponzi schemes. A Ponzi scheme is essentially when I sell you on an investment idea, telling you that it will pay big dividends, then sell that same idea to someone else. I come back to you and give you your 'earnings,' but it's really just coming from that new person I sold on the same idea.

You begin getting more and more people to 'buy' into this scheme, and while they're thinking the investments they made really do pay out in high rates, it's all coming from more people joining in, or people buying back into the scheme. Eventually, when no one buys in anymore, people who paid in want to take their money back out, but there's no money there. The scheme collapses and everyone who bought into has lost not only any earnings they thought they'd get, but their entire investment.

Right now, what the Federal Reserve is doing at the behest of the federal government is the same concept. Eventually the system will collapse on itself and the value of each dollar will decrease significantly.

Where does money come from?

Money is produced by the Federal Reserve, but it represents a specific set value that the global markets (other countries) agree to support. Currently, the world markets buy, sell, and trade based on U.S. dollars. Before the 1970s, it was the British Pound that was the world's currency. Before that it was the gold standard.

Essentially, it's easiest to think about the value of money and what it represents by thinking about gold, but *don't think that money represents gold*. This is a common misconception spread about, especially in schools. It's easiest to think about money in terms of how much gold it could buy, but the U.S. dollar is a *fiat* currency, which is money that a government has declared to be legal tender. When the world used the gold standard, any monetary currency in use had to be *backed by gold*.

Today, there is nothing backing the U.S. dollar except the expectation that the United States will honor all of its debts (all of those 'notes' that the Federal Reserve is printing). The less confidence that other nations have in the U.S. economy, the more they will look toward another standard or currency with which to do trade. When that happens, the U.S. dollar will have no global value and it will have a major negative impact on the economy.

Now, when talking about gold, just keep this in mind: gold is *not* the standard and is only used in this example to try and allay the central core concept of money and the dollar.

Back in the earliest days of civilization, men 'bought' items that they needed through a system of barter and trade. If you needed a cow to produce milk for your family, and you have ten pigs, a cattle farmer may have had an extra cow to trade, but he wanted a pig for food. You might have come to an agreement to trade three pigs for his one cow.

The value of the trade was determined by need. Supply and demand. If this farmer only had one cow to sell, then it would be worth a lot more to him than if he had twenty. If he really needed pigs, then the value of pigs to him would be more important than the value of his cow. You and this farmer would discuss the arrangement and come to an agreement on price.

Sometimes you may have felt as though you got the better end of the deal; other times you might have figured you got the worse end of it. Ultimately, though, you always had a choice. You didn't *have* to trade three pigs for the cow if you didn't think that was fair.

And that's how commerce was conducted for thousands of years until the Roman Empire when gold coins began to circulate. One of the major problems with barter and trade was that you might have to work very hard just to get something you wanted or needed. Maybe you needed leather boots or a hoe from the blacksmith, but he didn't need or want pigs. You'd have to find something he wanted or needed and then try to get that item with your pigs and then go to him for what you wanted or needed.

When gold coins were introduced, they had a specific value, based on weight. A gold coin might have been worth one pair of boots, a sword, or even one pig. Different businessmen determined the value of their goods and services based on how many coins, how much gold, they felt it was worth.

Soon people realized that carrying gold around was inconvenient (for the weight) and dangerous (for theft). That's when coins and paper money was created to *represent* the gold that someone owned.

Money represents the *value* of a good or service based on supply and demand. If no one is demanding your service or goods, then you won't be able to sell it. If everyone wants what you're selling, then you could continue to increase the price until demand begins to lag.

The dollar is the world's fiat currency, but while the Federal Reserve keeps pumping money into the economy, it's devaluing money because what happens if you have a bar of gold that is represented in commerce by 100 pieces of paper, but then start placing more and more paper into the economy? The gold loses value because it is now represented by 200 pieces, then 400 and so on. Suddenly those pieces of paper that you worked so hard to earn are not worth a quarter of what they were originally.

The economy will always *eventually* correct itself, and the mistakes that people make with money, so the more you understand about it, the better you'll be able to manage it.

As long as you understand the basic concepts of money and that it represents something and doesn't hold any true value itself, then we're ready to learn about how money is 'made.'

We like making money, don't we? So let's get moving ... there's money to be 'made.'

Chapter 2 - How is Money ‘Made?’

As we saw in the last chapter, money isn’t actually anything more than a representation of debt.

The best thing you could do right now in order to understand how money is made is to simply forget about the dollar bills that you have in your wallet or purse as being ‘money.’ They are nothing more than representations of currency. Of debt. It’s *not actually money*.

The role of the Federal Government

Every nation survives based on trade with other countries. That trade is determined by the value of the agreed upon currency. As mentioned in the last chapter, for thousands of years, gold was the agreed upon standard. In the 1970s it became the U.S. dollar because the United States economy was strong and other countries were willing to buy government bonds and treasuries, which they in turn use to pay for goods and services from other countries.

The Federal Reserve prints money every year. Some years they print more money to try and get more moving through the economy, like what's being done right now. The idea is that the more money that circulates through the economy, the more people will spend it and the stronger the economy will get. However, it's undermining the long-term integrity of the dollar.

What is the Federal Reserve?

The Federal Reserve is a private banking institution that has been integrated into the government. It is, essentially, the U.S. government's bank.

The main purpose of the Federal Reserve is to quell panics in the markets, set interest rates (the amount that is costs to borrow money), and manage the nation's money supply.

The Federal Reserve is responsible for determining the *value* of our currency, or how much debt we can pay off with it. The IRS was formed to help pay the debt that the U.S. government owes to the Federal Reserve every year (the bonds and treasuries that are purchased). The Federal Reserve Bank was created in 1913. The IRS was formed in 1914. It was no coincidence.

Currently, as of the writing of this book, the interest rate that the Federal Reserve has set is at 0 percent. That means the government can borrow money from the Federal Reserve at zero percent interest. It's a free loan. Other banks can also borrow at 0 percent, so they can offer loans to businesses and consumers at low interest rates so that the banks can earn money and people can do things and it won't cost them a lot of money to borrow.

Is this all confusing right now? Don't worry about it too much. It's all basically trying to get you to understand that the *value* of money can change and it can be manipulated. How you value money will be different than how the federal government values it.

It also should indicate that there are other ways to earn money than just slaving over a job eight to ten hours a day, seven days a week, though that is and will remain the most effective way to earn money in the beginning of your adult life or career.

Now let's talk about different steps that you can take to actually earn money.

Chapter 3 – Steps to Earning Money

How can you earn money? When you're in school, you're told that you need to study, get good grades, and go to college so that someday you can get a good paying job and make money.

So maybe you followed their advice, studied, went to college, but you didn't know what you wanted to do with your life. Maybe you didn't have any real passion for the common majors that everyone else seemed to be jumping at.

Business management? Not your thing?

Psychology? What are you going to do with that bachelor's degree?

Liberal arts? You're kidding, right?

Engineering? That could be interesting, but all of the math that's involved!

English? If you want to be a teacher, maybe.

History? Again, if teaching is your calling, sure.

And the list goes on and on.

So you choose a major because after two years, you have to choose *something*. Now you graduate and you apply to a hundred different companies and realize that you're just one of a thousand other young adults who recently earned their degrees and are trying to make their mark in the world and get the job you want.

Or think you want.

So you take a job flipping burgers while you wait. And keep applying.

You're offered an internship after almost a year of looking and it's a summer internship that doesn't pay anything. It gives you experience, though, so while you're living at home with your parents, you figure why not.

So you take the offer and eventually, another year later, you get the job in one of the companies you wanted to work at.

It pays a whopping \$24,000 a year to start, but being young and independent, you're thinking you just struck gold.

Sure, you had ideas that you'll be earning three times that when you graduated, but reality is a funny thing ... it can make you understand things much quicker and clearer than any school book ever could.

And you're making money now, so that's what's important.

The problem is that you're not earning *a lot* of money, but for now, it's good enough. Or so you tell yourself.

You buy a new power suit for work and show up on your first day and by the time you clock out, you're run down, exhausted, and just trying to get back home to go to sleep so you can wake up the next morning and do it all over again.

This new job isn't like anything else you ever did. It wasn't like the fast food job you had or the work you did at a day care center. It wasn't like lawn care or the deli, either. With those jobs, you had some training, the first few days were about breaking you into it and showing you the ropes. This job was different. You felt like you were essentially thrown to the wolves from the moment you stepped into the building.

That's what happens when you graduate to the major workforce, but then again, you have a salary to look forward to. After all, \$2,000 a month will be able to get you a lot of things that you couldn't even think about before, such as a new car, a place of your own, some new clothes, and nights out with your friends on the weekend.

Three years later and you're barely making more than \$30,000 a year now and you have almost nothing in the bank. You essentially spend everything you earn, after those pesky taxes, on rent, your car payment, insurance, food, student loans, and all those other important expenses. You don't go out anymore because half of your friends are married and stay home with their wives or husbands and the rest just never seemed to grow up and you can't stand their immature actions when you're out at a club. Besides, you

don't really enjoy the club scene anymore; you graduated to fine dining, when you can afford it.

So you're looking at the course of your life as thirty begins to knock on your door. You never thought you'd see thirty come barreling down on you so fast, but there it is, a short distance away and you're working a job that you don't really enjoy, making half the amount of money your friends are making (or claim they're making) and you just wish you were earning more.

It all comes down to money in the end and that's one of the problems and why you're not making enough for you.

\$30,000 should be more than enough for a single man or woman to live comfortably in many different regions of the country, outside of New York, Boston, D.C., or San Francisco, at least.

But we're not going to talk any more about your spending habits, the apartment that you don't really *need*, but that you *want*, or the car that costs you \$340 a month just for the loan payment, let alone the \$150 a month in insurance, that car that you don't really *need*, but *wanted* because you figured you'd look good in it and people would think you had it all 'going on,' that you were a bona fide success.

You've fallen into the common trappings of a materialistic society, but that's okay, *as long as you can earn more money*.

So how can you do that?

The obvious answer is the job you have. But you've been down this road and this was the only job you could get after graduation and it was the company you truly did want to work for.

But what about now? Is this the company that you want to be working for? If so, have you been promoted? If so, was it enough? Was it fast enough? If not, then why not? Will there be a chance to move up soon?

Sometimes we work for a company that we *think* will be the right place for us, but once we're there for a while, we realize that it's just not the right fit, or right pay, or right opportunities.

So what are you doing about it? Are you looking for a job elsewhere? Are you filling out applications or sending in resumes and awesome cover letters that will attract attention and get you interviews?

Why not?

You have experience now. You're *in the game*, so to speak. You're no longer a wet behind the ears graduate whose only experience came from the pages of a textbook where half the time the authors never really did the stuff they write about.

So why aren't you out there working the phones and emails and trying to get a new job with better opportunities?

The right job will pay you what you're worth. If you're making \$30,000 right now and not out there looking for anything else, not planning to earn more in the future, then you're earning *exactly* what you're worth. Right now.

Investing

Are you investing? Do you have a 401(k) with this company? If not, then why not? You might be single and living for the moment, but eventually you're going to be 65 and facing retirement. Do you want to be living off the backs of your loved ones or in a senior home?

The easiest way to begin earning more money for the *future* is investing in the present.

Learn about the Stock Market. Try to see what could be a strong stock to own for the future and buy a few shares. You don't need a lot to begin with, maybe a few hundred dollars. You probably spend that on eating out or going to the clubs with your friends already.

A few hundred dollars this month could equal a thousand in a year or two. Begin to add that to one month after another and you begin to see where *true wealth* comes from.

You could also look into investing in real estate. Buy a cheap home, maybe one that needs some renovation work. Don't know how to do renovations? Pick up a book and learn. Take your time with it, or find someone to help, someone to go in with you on this project.

Fix the house up while you live there over a year or two, then sell it, rent it out, or continue to live there. Renting just throws money out of the window. Owning builds wealth.

What about the less obvious ways to make money?

Of course, there are plenty of less obvious ways to make money than finding a high paying job or investing.

The first is placing value on yourself. If you don't value yourself, then why should anyone else?

If you believe that you're worth a heck of a lot more than \$30,000 a year, especially after all of the work and time you've put into this company, then set your value, but be realistic. If you have the cow that someone else wants, know what they feel it's worth. Understand the market value of it at the moment.

You may want to believe that you're worth \$100,000 a year or more, but would the market agree with that assessment?

Be fair in your assessment of your value and if you know you're worth \$40,000 a year, take steps to be compensated for that. You can talk to your bosses and show them *why* you believe you're worth it and also contact some of their competitors. You may find that someone else agrees with you about your inherent value.

You should also *court money making opportunities*. There are money making opportunities around just about every corner, but too often we don't pay attention to them. You've probably stumbled across a few yourself.

Take a notebook with you wherever you go and begin writing down these ideas that comes to you, or that you see. Begin to view every aspect of the world around you as an opportunity to make money.

Finally, learn to create new avenues through which you can make more money. If you work for a company creating personal motivation plans, then why not take your skills to your clients directly? You don't want to break the law or violate your company policies, but if you have a knack for motivating people, then why not do it on your own?

Making money is about finding a need that consumers are willing to pay for to be filled and then finding the avenue through which to reach them. Sometimes you get it right the first time, other times you'll fail. Sometimes you'll fail over and over and over before you get it right.

Some of the greatest minds in history, the greatest innovators, failed over and over before they hit it big.

If you want to earn more money, you need to get out there and start looking for the places that other people have overlooked. There are plenty, don't worry about it or think that every good idea must have been taken already.

If you want it enough, you'll be able to find it.

Chapter 4 – Learn to Manage Money

When you work hard, the last thing you want is to see all that money go flying out the window. However, many of us, when we get our paycheck, we tend to run out and spend it.

Sure, a lot of things that we spend it on are necessities, like rent or mortgage, food, utility bills, and more.

However, we also have a tendency to go out and buy things that we want even if we can't really afford it, and especially if you don't *need* it.

Many people have a problem with managing the money that they earn. That's why more than 57% of the population has absolutely *no* savings and staggeringly, more than 90% of U.S. citizens have *less than* \$5,000 in savings.

Think about that for a moment.

If you were approaching retirement and had less than \$5,000 in savings, how would you even begin to *think* about retiring? How would you be able to survive?

The simple answer is that you wouldn't be able to. You would have to continue working, even if it was at Wal-Mart, ringing up people half your age buying things that they don't need, just like you did for all those years. And there wouldn't be a thing that you could do to change it, or to even help them.

That's what this book aims to achieve: to help you understand the value of money and also to *manage it* when you earn it.

A large part of being able to keep more of the money that you earn is to be able to *manage* it. This doesn't mean that you take everything you earn, after expenses, and sock it away in a low yield (read: low interest) savings account.

Managing money is about taking what you *do* have and making it *work for you*.

People who have money and who understand how to make that money work for them are able to earn more money, even without working.

What is money management?

Money management is the skill and process of being able to take what you've earned and maximize it. So, if you earn \$30,000, you might be able to set aside \$5,000 of it every year, meaning aside from basic living expenses and some personal enjoyment, including a possible vacation, you might have \$5,000 left over at the end of the year with which to do some good with it.

You could certainly put that in a savings account where it might earn you 1 or 2 percent interest annually, but that won't even keep up with inflation, which means that in 20 years that \$5,000 might only have the equivalent value of \$2,000. So your savings account could lose you money in the long run.

Does that mean you shouldn't have a savings account?

No.

You should. For emergencies. \$5,000 is a nice, decent target number, but that doesn't mean you have to put that entire amount in it right away. Budget for it. Work toward it. Put \$100 a month into savings for now, for example, or whatever suits your budget best.

Money management is about understanding your true income (after taxes, insurance, etc) and your expenses.

When you have a handle on those, then it's about knowing where to make the right investments. It also means developing a budget that makes sense for you and your income and making adjustments as needed.

It also means having long range plans, such as a five year and ten year plan.

Develop a budgeting regimen

How much do you earn every week? Every month? If you work hourly and your hours vary from week to week, you should take the average for the past twelve months and use that as your guide.

Next, what are all of your *living* or necessary expenses? This would be your rent or mortgage, taxes, utilities, food, car payment, commuting expenses, and so on.

Whatever is left over is your surplus.

What many people make a mistake on is that they don't track their money going out very well. You go to the store and see a new DVD movie you want to see, so you throw it in your cart because you just got paid and, well, 'It's only \$16.95.' You justify it as being a minor expense in comparison to your rent, car payment, and all the other things you have to pay. Besides, you worked hard all week, so why can't you just enjoy a movie if you want to?

There's nothing wrong with that, but you should certainly have a budget in place for it. Set a fair amount each month for 'entertainment.' This could be going to the movies or renting one at home. It could also include going to a ball game.

Once you develop a budget, you need to stick to it. This will show you where you tend to *lose* money every month.

That \$16.95 movie might not seem like much, but when you add up all of the other miscellaneous expenses that you had during the month, including eating out at McDonald's, Panera Bread, or even Chili's, you could be shocked at how much you're spending on them. Small purchases don't seem like much at the time, but they can build quickly.

Once you set your budget, you'll begin to be able to see where you 'waste' money, where it's being thrown away, and you'll begin to see what you can do to manage it better.

Managing money is about *respecting* it. If you don't respect money, you don't respect the time that you put in to earning it. If you don't respect the

time you put into earning money, then you can't value yourself. If you don't value yourself, then you're not worth more when it comes to money.

It's a circle and it's important to begin understanding that the circle needs to be cared for at all stages and when you do, you'll begin to have more money.

Now that you've built your budget, if you find that you simply don't have anything left at the end of the month, look to where you might be able to cut back. If your car payment is \$350 a month, for example, and the insurance on it is \$140, that's almost \$500 a month!

Get rid of it. Purchase a used car for \$3,000 (that's six months right there) and you can drive that around for two or three years, or more. Get a car that goes 35 miles per gallon instead of the 20 per gallon you have now.

What about your apartment? Maybe you're paying \$1,100 a month in rent for a two bedroom apartment with a washer and dryer, gas stove, stainless steel appliances, and all the perks that you just don't need *right now*. Why not look into a smaller, more affordable living arrangement? If not, what about finding a roommate to split the expenses?

What about cable TV? The average cable TV bill today is over \$100 a month. Do you really need all those channels?

What about your cell phone? Do you really need to \$120 a month plan? Wouldn't something more reasonable be a better option? It depends on your needs and desires, but within almost every household budget there is a lot of money that can be trimmed down, which will allow you to invest and get it to start earning you *more* money in the long run.

Now, let's talk about other ways to be money smart. More things that you didn't learn in school.

Chapter 5 – Negotiate Everything

Now, one thing that is often forgotten or overlooked in our modern society is that everything is negotiable. Forget about the big box stores and national (or international) chains where the prices are set, managers have almost no real power to decide price points or offer deals, and don't really care to.

Think about the smaller stores, the independent locations that have managed to cling to life across the arteries of a country that is slowly becoming homogenized by those other major chains.

These are the places where you want to shop. They are the places that will be willing to negotiate on price, service, support, or anything else that matters to you in order to close the deal, make the sale, and earn some revenue.

Forget what you've heard in the past that you simply can't name the price you're willing to pay. You can. And you should.

Even if you find a store that isn't willing to negotiate, so what? Find one that is. Or better yet ... *bargain hunt*.

Negotiating is about getting what you want at the price that you're willing to pay, or finding common ground with a merchant.

For example, let's say you want a nice flat screen TV. 50 inches of brilliant clarity that would look great in your home, especially on Super Bowl Sunday.

You've found this television set at one store for \$1,000. At another it's listed at \$1,100. At yet a third it's going for \$900.

You'd go for the cheapest retailer, right? After all, if the only thing that matters to you is price then that's exactly what you would do.

But that's not all that matters to you. You want the best warranty as well and with those extended warranty offers, it could increase the overall price of the television considerably.

Let me take a moment to give you a bit of advice about those extended warranties ... this is where stores now make the most profit. They simply aren't worth it unless you're careless and the warranty covers accidental damage. Say 'No thank you' and complete the transaction.

Now, what are you going to do about the TV there? Maybe the cheapest merchant is difficult to deal with if there's a problem. Maybe their support system is weak. Or perhaps another store is offering a free DVD player with the purchase of that TV.

You're going to have to determine what's important to you. Also, you might find that in order to get the TV for \$900 you'd have to drive more than hour away from your home to pick it up. Is it worth it for your time and the gas to get there? Maybe it is, but you're going to have to be the one to decide that.

So let's say that you decide you're willing to pay \$900 but you'd rather purchase from the store in your hometown. Go there. Who cares whether it's a major store or not. Go in there armed with the information about the cost at another competitor. Show them the ad.

Do your research

The key is to do your homework, your research. The more information that you have on your side, the better it will be in the negotiation process.

Just be aware that not all research is effective when it comes to negotiating. If you found the TV for sale online, this probably won't help much with brick and mortar stores. The simple fact of the matter is that shipping is a major concern and you could end up paying a considerable amount for shipping, so you'd effectively end up paying the same or more for that TV from an online merchant. Even if you don't, you'll have to wait for it to arrive at your home.

Focus on comparing apples to apples because the moment you try to compare apples to oranges, you'll lose your footing in the negotiation process.

Also, don't get carried away with negotiating. The Pareto Principle states that 80 percent of a company's revenue will come from 20 percent of its customers. Also, 80 percent of their time and attention is wasted on 20 percent of the customers that don't boost their bottom line. If you end up trying to negotiate on every little thing, you're going to become a nuisance and they'll eventually tell you to go elsewhere. And that would be a good business decision.

Stick to negotiating on single, not regular purchase items. Also, make sure that you would gain something of significance through the negotiation before you start. What this means is that you should focus on items that could bring you significant savings. Saving a dollar while spending 10 minutes negotiating isn't worth it. However, saving \$100 for that same 10 minutes could be well worth the effort.

Be willing to walk away

The moment that you decide that you absolutely ‘must have’ an item is the moment you lose the negotiation.

As long as you’re willing to walk away from the item, you still have power in the negotiating relationship.

Car dealers are notorious for telling you they just ‘don’t have any profit margin’ on a trade in or they simply can’t go as low as you want on the price of a new car. It doesn’t matter if you know that the car sold for that price at a dealer just 100 miles away.

Car salesmen want to maximize their profit lines, which means they want to keep the sale price of the car as high as possible. If they go and match another dealer’s invoice or selling price, they could end up making little on the car with their commission. Who wants to be bothered with all that paperwork for little benefit?

However, when you know what you want, know what you can get for your car on trade in, and know the *average* sale price of the car you want, you’ll put yourself in the best position to get the deal you want.

But if you’re not willing to walk away from the deal, then you put the ball in the other person’s court. You give the salesman the power. The more time they spend with you, the more time they invest in the relationship, the more they’ll be willing to go that ‘extra mile’ if it means closing the deal.

The moment you say, “Well, thanks for your time, but I guess this just isn’t going to work out,” is the moment you gain power.

Does that mean you’ll get the deal you want? No. But it means that you push the salesman to the edge and if they *can*, they *will* at that moment, or they’ll call you (if you gave them your number) within a day or two to tell you that they’ll work with you.

If you aren’t willing to walk away from the deal, then you lose power. It’s that simple.

Negotiation is a dying art form for many people in today’s world, but it’s something that you should focus on learning and practicing as much as you

can. It will likely save you quite a bit of money in the long run.

Think about how much you could save on a new car. A vacation rental. Or even a house. It adds up.

Chapter 6 – Credit

One of the aspects of modern finances that *should* be taught in school that is rarely ever mentioned is credit.

Debt.

Charge accounts.

I mean, why do you need to understand all of the details about the Middle Ages or the Roman Empire, spending weeks learning about them and not learn a single thing about credit cards and debt?

It's insane is what it is.

Credit is the process of being able to purchase goods and services with money you *borrow* in order to pay it back over time. The most common consumer form of credit is credit cards.

There are many different types of credit and the better you are at managing your credit, the higher your *credit score*. The higher your credit score, the more you're able to borrow, the more benefits you'll get for the immediate future, or right here and now.

It sounds great when you see deals and offers that allow you to purchase the car you want with almost zero percent interest financing or get a larger home because you qualify for a higher loan amount.

But what about all the other factors that come into play with regard to credit? What if you have a \$10,000 limit on all of your credit cards combined? Would you just keep buying things with the idea of paying them off at some later date?

There are millions of people who have found themselves in debt to the tune of tens of thousands of dollars because they viewed it like income. They used their credit cards and the increased spending limits as though it was 'free' money. They kept charging and charging, buying things they *wanted*

right then and there without any regard to whether they would ever be able to pay it off.

Some people relied on credit cards to help cover their mortgage or buy food, but eventually that bill comes due and when it does, if you can't pay for it, you're in trouble. That's when bankruptcy becomes a serious and viable option. That can lead to financial ruin. Or was it the credit cards that led to ruin? I'll let you determine the cause and effect on your own.

There are some simple concepts that you should hold onto when it comes to credit cards and debt.

First, credit cards are not, on their own, inherently bad. You should at least have one with a limit of at least \$1,000. Cut up the cards that offered you \$10,000 spending limits. You don't need them.

Use your credit card at least two to three times a month, then *pay off the full balance right away*. This will help to boost your credit score. You also want to try and avoid a zero balance every month. Having a low balance, though, such as \$25, will also help boost your score.

If you can't pay for something with cash right here, right now, then DON'T BUY IT!

This is the simplest *concept* to learn but can be the toughest thing to actually do. If you have credit cards, and with all of the credit offers that almost every major store has, you are constantly tempted to buy what you want right here and now.

So just use this simple rule when deciding whether you *should* buy it. If you can pay cash for it right now, then go for it. If not, forget it.

Material 'things' won't fill a void in your soul or my mind. If you're not happy in life, then that TV isn't going to make you happy. You'll feel good for a while, but ultimately your unhappiness will settle in again, and you'll end up more stressed trying to figure out how to actually pay for it.

If you can focus on this simple rule and follow it, you're going to do yourself a whole bunch of good for your financial health and well-being for years to come.

Credit is simultaneously a good thing for major purchases, such as a home or a car, but is a dangerous thing for all of those little items that you may *want*, but not *need*.

If you value yourself, then you don't need them anyway. Check your wallet or purse and if you don't have the money, walk away. Leave that credit card where it is.

Also, if you're finding yourself buying groceries or covering your utility bills with your credit cards, you're digging yourself a dangerous hole and need to trim back your expenses or get another job.

Fast.

Chapter 7 – The Spending vs. Savings Mindset

There are two basic mindsets when it comes to money. The *spending* mindset and the *saving* mindset.

Which one are you in?

If you're young and just out on your own for the first time, you are probably in the *spending* mindset. You probably grew up in a household where you got a lot of the things you wanted, but were also told that if you wanted those 'special' jeans or Air Jordan sneakers that you'd have to work to earn it.

So you did.

Now that you're on your own, there are no limits. No one gets to tell you what you can have or what you can't get. You're the boss of your own making. *You* determine what you purchase because, after all, it's *your* money. No one else's. Not your mother's. Not your father's. Not your sister's or anyone else's.

So you break out on your own and you're living it up. Besides, you probably don't have much when you're starting out anyway. You *need* things (at least in your own mind you do).

You *need* a new couch.

You *need* silverware.

You *need* a coffeepot with the timer on it.

You *need* a new mattress.

And so on.

But do you *really* need any of those things? Okay, okay ... so you might actually *need* a new mattress, but aside from that, what do you really *need*?

A new couch? Why wouldn't a used one from a tag sale or secondhand outlet store be good enough?

New silverware? Couldn't you find a decent set of silverware from the Goodwill Store or any number of thrift stores? You'd be amazed at what you can find at a thrift store. Quality items for your home that are cheap, cheap, cheap!

A coffee maker with a timer on it will generally cost twice what a regular coffee maker will. Plus, you could probably get a good one at those thrift stores you see all over town.

You see, aside from very few items, you don't actually *need* anything new and many of the things that you *think* you *need* aren't really necessities.

That's what separates the spending mindset from the saving mindset.

The saving mindset can go overboard, though. If you pinch every penny and avoid enjoying life just to make sure that you save money, then what's the point? You still deserve to enjoy yourself and have fun. There needs to be a balance between the two ideologies.

The only way for you to find that balance is to know what your long term goals are, from two year, five year, ten year, and twenty year goals. Then you need to know how you can make those goals come to fruition, how much money you'll need to save in order to make it happen.

It's about finding the right balance between spending every dollar that you earn every month and saving every *extra* penny you have left over after basic expenses.

Remember, if you're living in an apartment that costs \$300 or \$400 more per month than you could be paying for a smaller one that may not be *as* nice as the one you're in now, then that's your *choice*. No one is making you live there.

You're tossing \$300 or \$400 away every month. You're *spending* that money on something you don't really *need*.

If you want to save, then move to something more affordable. ***For now.*** If your five year goal is to purchase a house, then put most of that monthly

savings toward the down payment on a house in five years. At \$250 a month, that's \$15,000 in five years!

That's what I'm referring to when I talk about having a *savings* mindset.

Look to what you're spending money on now and you'll probably find a host of things that you're wasting money on, tossing it right out the window. And for what? Will you have benefitted from it five years from now?

What's more important to you right now? The immediate reward or the ability to achieve your goals in five years?

Decide whether you *want* to develop a savings mindset or if you're fine with the spending mindset.

Chapter 8 – Learn to Live Below Your Means

One the toughest things to learn when you first set out on your own is to live *within* your means.

We hear about it all the time ... “Learn to live within your means” and for the most part, we figure out what it means quickly.

When you spend more than what you earn every month, then you’re living *beyond* your means.

So we’re told that we need to find a way to live within our means and it can be a challenge when you first start out, especially if what you’re earning is a low salary or not consistent, such as a part time job where you don’t know how many hours you’ll be working from one week to the next.

However, that’s no excuse; you still need to quickly learn how much you’ll need to earn each and every week in order to afford the lifestyle you want to live.

Does that mean you’ll be able to live that kind of lifestyle right now? No, but if you know what you’d like to be doing or living, then you set that as a goal, rather than an immediate need.

So when you’re told that you need to live within your means, what does that mean for you?

You have your \$1,100 apartment, new car with four and a half more years of payments to go on it, the insurance, electric bill, cable TV, cell phone, new clothing, food, and other miscellaneous items, right?

If your monthly expenses for these basic living expenses is \$2,000 and you’re earning \$24,000 a year *before* taxes, then you’re living *beyond your means*. You’re going to be spending more than you earn, most likely putting that difference on credit cards or borrowing it from family or friends. Not a good idea for *anybody* to borrow from family and even worse when you borrow from friends.

So if you trimmed about \$200 a month from your expenses, that might get you to be living within your means. You bargain shop for food, buy a lot of bulk, and make do with Ramen noodles and mac-n-cheese every other night. It's not great, but you can deal with it. For now.

So you're finally living 'within your means,' at least by definition. You're doing what you were told and you feel good about it.

But do you have anything to set aside every month? Are you getting out of debt (if you have debt) or are you getting a little deeper every month because you're buying items you don't really need?

You don't save because you don't have anything left over at the end of the month *to* save.

That's why you shouldn't be living *within* your means but rather ***below*** your means.

Cut back. Trim down. And ***focus on your long-term financial goals.***

So what if your friends aren't going to be 'impressed' and thinking you're doing so great if you don't have the two bedroom apartment with the stainless steel appliances and Jacuzzi tub? Who cares?

Are those friends going to be handing over \$15,000 to you in five years so that you can make a down payment on your first home? Doubtful.

Get rid of the unnecessary expenses for now. No matter how old you are, there are probably tons of things that you can do that will lower your monthly expenses. If you're single, find a simple studio apartment. You could likely cut your rent ***in half***, or save even more, by renting a studio or efficiency, even.

Sure, it's not as glamorous as your two bedroom place, but *who cares?* Are you really that insecure that you feel the need to impress all of your guests with this apartment? Young people even rent houses at \$1,400 a month when they're not even earning \$30,000 a year. If you feel comfortable and don't want to give up where you're living, then *find a roommate.*

That would *still* cut down your monthly expenses in half!

What about your phone? Did you pick up the newest iPhone or Android because *you just had to have it*?

Why?

Was it critical for your work or business? If so, why didn't your employer provide it for you?

The truth is, for most people, these items seem like 'must haves' because they are 'cool,' hip, or the 'in' thing. You don't want to be left out, do you?

But all of my friends have one, you might be saying. *I don't want to be the odd one out.*

Fine. So let's be clear about this: if all of your friends end up declaring bankruptcy in five years or move back home with their parents, you're fine with doing that, too?

Most of those smart phone plans cost \$120 per month *and higher!*

If you absolutely *must* have it, switch to the contract free plan at \$60 per month. Savings: ***half!***

What about that cable TV? Is television that important to you? If so, make sure you're not paying for channels you don't need, or are only watching one program on. You could always watch them eventually on DVD or Netflix or Hulu.

Whatever you can do to *cut your expenses* will help you begin to live ***below your means***, which will lead you to have *more money* at the end of each month, which will lead to more money to save and invest!

Chapter 9 – Save or Invest at Least Half of Any Raise You Receive

Whenever you earn a raise, what's the tendency to do?

Spend more.

That's right. Why? Just because you got a raise, that doesn't mean you have to go out and get a new place or buy a new car or extend your spending. It should give you a sense a pride, more money to invest and save, but also enjoy life a little more.

Celebrate. Kick back a few drinks with friends if you want.

Then make a commitment to save or invest *half* of your new raise every month.

That will still leave almost *half* of your raise to spend and have fun with. Maybe you cut back on your cable TV plan because you wanted to live below your means, but now with this new raise, you can get all of the channels (and their distant cousins) if you want to.

Go for it. You earned it.

Just set a goal of saving or investing at least half of what you earn with any raise.

The temptation

The temptation whenever we start earning more money is to go and spend it.

You probably have walked around seeing a host of things that you could purchase, things that you might have wanted but couldn't afford and thought ... *When I get the money ...*

So when you *do* get the money, you go out and fulfill that wish.

There's nothing wrong with that, but just spend within reason and don't go overboard.

It's a habit and like any bad habit, you need to make a conscious effort to break it. When you can break the habit before it grabs hold of you, then you're going to be in a stronger, better position to save more, invest more, and be smarter with your new earnings.

Chapter 10 – Spend at Least One Hour a Week Educating Yourself

When you were in school, how much time did you really spend studying? It might have been anywhere between one hour to ten hours.

In college, you might have studied twenty hours a week outside of classes, depending on the subject matter and how well you understood it.

What are doing now, though, to continue your education?

What do you mean, continue my education? I'm done! I finished college and I am D.O.N.E.!

No, you're not done. Life is about continuing the education that you started when you were a child, when you first started to learn about addition, subtraction, multiplication, division, when you first learned about the alphabet and how to make words on a page, when you began to understand that there was a world outside your house and that there were billions of other people in it, all striving to build a better life for themselves and their loved ones.

The moment you stop learning or trying to learn is the moment you begin to become irrelevant to the world. That's the moment when your value begins to diminish.

Get in the mindset (if you're not there now) to continue learning every week. Right now, focus one hour every week to learning more about personal financing, investing, saving, and paying off debt.

Listen to financial advice talk shows if you like, watch webinars or videos, and read.

There is a wealth of information circulating around the Internet on things that you can do to improve your financial situation and outlook in life. The only requirement for much of this information is to go out and grab it.

I'm not advocating that you spend hundreds of dollars on seminars, books, or programs. After all, wouldn't that be breaking the suggestions that have been put forth in this book?

Sometimes a seminar or book will certainly help you gain the right perspective to help you manage your finances better, but you still want to make sure that you don't cut into your savings in order to get it.

One hour a week is a *small* investment of your time. It's one episode of American Idol or Dancing with the Stars. It's half of a major motion picture.

It's very little!

Yet it will be a major investment in your life, in your overall financial health and well-being.

Make the commitment and *stick to it*.

It's one thing to make a commitment to something, but another challenge entirely to stick with it.

Work on a weekly budget

Build a budget and work on it every week. That means keep all of your receipts for money you spend, whether it's cash, online bill pay, or anything else, and write it down.

There are a number of great programs or inexpensive ledger books that can help you determine how to organize this information in the best way possible. Pick one up. Log it in as self improvement.

Don't miss a week. If you do, then it's going to be easier to miss the next one, then the one after that and before you know it, you're missing months of budgeting and that's not going to help you.

Develop positive habits

Determine what your bad money habits are and then each week work on eliminating at least one of them.

You probably won't be able to actually eliminate one every week, but if you work *on* it, then you'll move a step closer to eliminating it at some point in the future.

You could certainly focus on the same bad habit week after week until you control it, but that can backfire if you can't get beyond it. That's why it's a good idea to focus on a different one every week, then come back to that other one again in the future.

Habits are like snowballs on an incline. If you ignore it, that habit can begin rolling downhill toward you, getting faster and larger every second.

When you focus your energy on it, you fire heat at it, effectively melting it down slowly, but surely.

Conclusion

Money has become one of the most important things in life. Without it, you can't survive.

Money buys us shelter, food, clothing, and all of the necessities in life. The only thing that money is *not* more important than is life and family, but without money, families can fall apart, so you could argue that it's more important (to some degree) than family. But not when you're earning more than enough to live. Anything that you pursue beyond the basic necessities, that you put ahead of family, is dangerous.

Even though it's so important, we're not taught about it well enough in schools. What we *are* taught about money is not effective in the real world, either.

You need to make the investment in time and effort to improving your understanding of money and how to manage it well.

Commit to a budget and follow through every week.

Educate yourself on better money management practices every week.

And keep those credit cards locked up tight.

This is only the beginning of the journey for you. When you understand more about money and how to manage it better, you'll end up getting the things you really want in life. It might not be this year or next year, but the quality of your life will improve as a result, and isn't that the important thing here?

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