Resources to collect:

1. A new notebook, journal, composition book, a bunch of paper in a folder or stapled together

Here are a couple of options that you can get next day - I like the composition books with the blank space on top - Notebook with space, primary notebook, pretty notebook

2. Colored pencils, markers, a pencil, a pen
3. Newspapers - now is a good time to get them delivered! The News Tribune and many other papers offer just weekend delivery - this is a nice option. As a bonus - the last Sunday of each month includes the News Tribune (USA Today)
4. Camera - we're going to want PRINT pictures - you can send them from a phone to many places (Walgreens is one) and have those pictures sent to your home
5. Glue stick or tape
6. MOST IMPORTANTLY - *observant and open eyes and minds!*

Thinking about sources:

As historians we are always looking to evaluate sources of events. Secondary sources are ones that have been collected and interpreted by others. Primary sources are ones that are first-hand accounts from people who were there, at the event, in the battle, at home in quarantine.

Many events in history stand out as events that children, grandchildren, and great grandchildren ask about. This shutdown of our regular lives will be one of those times.

Your children will ask you, "What did you do when you were quarantined?" "What was it like when people used to shake hands as a greeting?" "What was school like?" "What were sports like?" "What did it feel like?"

For this assignment, we are going to consciously make a primary source to answer those questions.
We are going to make a record of our own personal experiences. We will have something concrete to leave to history. We are historians on the front lines. We are WARRIORS. We are wise. We are important to history. We are going to live up to this challenge.

Monday 3/16 - Day 1: Setting up our notebooks

On the cover or inside cover of your notebook:

- Name
- Today's date
- Your address
- A picture of you in front of your house

Format options of your journal entries: (feel free to mix up formats from week to week)

Option 1: You can write your feelings, experiences, a story, basically what is happening around you or in your life. Written entries must be a minimum of 5 sentences but can be longer.
Option 2: Create a meme (do NOT copy and paste one - CREATE ONE) that sums up your feelings for the week. (just remember that your teacher needs to understand the meme)
Option 3: Paste a picture or pictures (think - snapchat or instagram) that sums up a feeling or experience that you had during the week
Option 4: Write a poem, song, story, create your own artwork, etc -- if you have another idea that you'd put in a journal - go for it -- you can email your teacher for permission or clarification

Not sure what to write about in your journal -- be unique and creative. You will be assessed on what you include in each entry - not JUST if you complete an entry.

Here are some ideas to think about

1. How are you feeling?
2. How is the pandemic affecting you, your family, friends, neighbors, etc.
3. Are you following the quarantine guidelines - are you leaving your house, etc. If so, where are you going and why?
4. What steps are you following to not get sick or spread the illness. (if any) Is this different from your normal routine?
5. How are you dealing with things being closed, no sports, etc.
6. Include any interesting experiences that happened to you. (did you see a fight at the grocery store over toilet paper, etc)
7. Basically type anything in your journal that has to do with how you are experiencing life under the pandemic

All journal entries must be school appropriate

SEMINAR TWO:

LOVE YOUR MONEY

Ted's credit card debt had gotten out of hand.

LOVE YOUR MONEY

OVERVIEW

Love it! Squeeze it! Kiss it! Your money deserves better than a cheap motel room. Give it roses by learning how to *Love Your Money*.

You'll find the roses in three sections within this chapter:

BRINGING IT IN
This section explains your investment choices.

GIVING IT AWAY
You'll learn the most common places you pay interest.

UNITING THE *LOVE*
This section brings tips from the first two sections together, so you can really *Love Your Money*.

A few easy decisions here and there can lead to a few extra hundred dollars in your pocket each year.

Your relationship is even sweeter with this money because you don't have to work for it. Isn't that the best kind of *Love*? You just have to make some smart decisions.

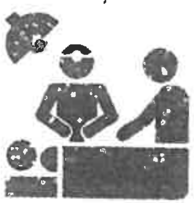
Everyone has a different level of knowledge when it comes to money. We'll provide nuggets of information for people who understand the ins and outs of the P/E ratio, as well as for those just beginning to master the intricacies of the ATM.

We'll share *Love* with everyone.

Before we dig in, let's start off with a story.

This is a story about our good friend, Bert. Bert had a credit card that didn't pay him any rewards, and he only paid the minimum balance each month. He ended up paying an interest rate on his credit card that was ten times what he earned on his savings account. That's certainly not *Love*. Bert graduated from school with tremendous debt.

To make money, Bert began donating his body to science. He got paid for a variety of medical experiments—at



first, relatively harmless cold studies, but eventually leading up to cutting-edge genetic research. Within a few months, he'd grown a third ear and a prehensile tail.

The extra ear came in handy one day when Bert heard a kitten mewing from the branches of a tree. Using his prehensile tail, he climbed the tree and

rescued the cat. He was immediately hailed in the local paper as a superhero of some sort: Extra Ear Guy With a Tail.

However, that drew the attention of the local union of super villains —Dark Breath, Sinister Boots...the whole gang—who were threatened by the presence of a new nemesis. They kidnapped Bert, dangled him over a vat of boiling oil, and were about to drop him when they realized that his powers—the ability to hear twice as well on the left side of his head while pouring a cup of coffee without using his hands—were far from super.

They decided to let him go with just a villainous group noogie. Bert has been in therapy ever since.

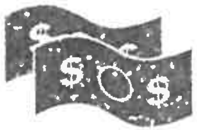
This is, of course, just one example of what can happen to you. Individual results vary.

So...Bert's life never turned out the way he dreamed, because he never learned to *Love* his money.

Don't end up like Bert. In the next few pages, we'll show you how to get the *Love*.

THE VERY BASICS

INTEREST



Before we discuss the nitty-gritty of money, we need to talk about the basics. Granted, this stuff is very simple, but it sets a good foundation for later.

The **RULE OF MONEY** (that's what we'll call it) says:

WHEN YOU USE
SOMEONE ELSE'S MONEY,
YOU HAVE TO PAY FOR IT.

For example, when you make a deposit in the bank, the bank uses your money. They have to pay for it. They pay you **INTEREST.**

When you borrow money to pay for college, you are using someone else's money. You have to pay for it. You pay your lender **INTEREST.**

The most important thing to understand is that the "interest" you earn is the same kind of interest as the "interest" you pay (simple enough).

Put another way, the relationship goes *both ways*. You *earn* interest when someone else uses *your* money, and you *pay* interest for the use of *someone else's* money.

Now you're certainly "interested." *Ba-dum ching!* Thanks folks. You've been a lovely audience. Don't forget to tip your waitress.

BRINGING IT IN

OVERVIEW

First let's talk about "Bringing it in." We're not talking about your salary. We're referring to bringing in money *without* doing any work: **EARNING INTEREST.** This section is about someone paying you for the use of your money.

We'll explain the pros and cons of six of the most popular places you can keep your money:

- **NOWHERE**
- **CHECKING ACCOUNT**
- **SAVINGS ACCOUNT**
- **CDS**
- **MONEY MARKET FUNDS**
- **STOCKS / MUTUAL FUNDS**

We found Bankrate.com a good source for interest rates.

SEMINAR MOMENT

In our seminars, we always ask people where they tend to keep their money.

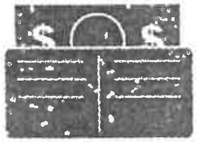
Overwhelmingly, everyone answers "checking account" or "savings account." Occasionally we'll hear, "In a new Xbox 360!!" which is usually followed by an elbow to a friend and a "Good one, eh?"

Our best answer came from a gentleman sitting in the back row, who responded, "In my girl's wallet." She was sitting next to him and responded on cue, "Mmm-hmm."

We know how you feel.

BRINGING IT IN: NOWHERE

OVERVIEW



Putting your money in your wallet or under your mattress requires no effort and no planning. Your cash will sit there and soak up the rays of your financial apathy.

Although this "investment" of yours won't lose any money, you won't earn any money either. Since this isn't 1865, you shouldn't fear outlaws robbing your bank and taking everything you own. You don't have to hide your money behind a picture on the wall.

Assuming that you're aiming higher in life, let's move on to some of the other choices.

SUMMARY

PROS

You won't lose your money
(unless you forget under which mattress you stashed it).
Your money's always available.

CONS

You won't earn any interest—ever.
This proves you're lazy.
Your money won't be worth as much over time
(word for econ geeks: inflation).

CONCLUSION

No *Love.*
Don't be a couch potato.

BRINGING IT IN: CHECKING ACCOUNTS

OVERVIEW

Everybody knows about checking accounts. Everybody loves checking accounts.

Here's the problem:
Basic checking accounts usually pay **0% INTEREST.**

The bank gets to use your money but doesn't pay you for it. As you now know, that is *not fair.* The Rule says:

**WHEN YOU USE
SOMEONE ELSE'S MONEY,
YOU HAVE TO PAY FOR IT.**

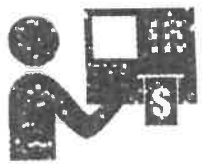
A checking account is using your money and not paying for it. That's breaking the Rule.

To make matters worse, checking accounts often charge *you* a monthly fee. Let's get this straight: *You* pay the fee, and *they* use your money.

Checking accounts are like deadbeat roommates. They eat your food, use up your hot water, delete your favorite shows from TiVo (to make room for sixty episodes of *American Idol!*), and then ask you to cover them for their half of the rent. That's not *Love.*

Some banks will advertise "free checking," meaning you aren't charged fees. But they're still using your money for free. So who really wins?

OVERVIEW (CONT.)



One way to *Love Your Money* is to keep a *minimal* amount of your money in your checking account.

Everybody needs to write a check or visit an ATM once in a while. Checking accounts are a needed service. But you should only keep enough money in there to cover your checks and any minimum balance required by your bank.

Checking accounts don't play fair on the playground, so only play with them when absolutely necessary.

SUMMARY

PROS

You have easy access to your money.
You can write checks.
You can go to ATMs.

CONS

You earn zero interest.
You might be charged fees.

CONCLUSION

No Love.
Don't play with bullies.

DESIGNER CHECKS

When you open a checking account, you will be faced with one of life's most difficult decisions: plain checks or the cool ones with Snoopy on them? Expect to pay a little more for the designer checks. Also consider these points when ordering:

KITTEN CHECKS: These say, "I have two dozen cats and zero dozen dates."

CUTE BABY CHECKS: These say, "If I don't already have kids, I'm looking to have some. Now."

WINNIE THE POOH CHECKS: These say, "I might be eight years old."

BRINGING IT IN: SAVINGS ACCOUNTS

OVERVIEW

Savings accounts are like Kim Kardashian: Once you get past the surface, there isn't a whole lot of substance. (Our apologies to the Kim Kardashian Fan Club.)

Here's why: basic savings accounts pay squat. Uncle Sam may guarantee your money, but a savings account usually only pays you tiny interest. That's not *Love*.

Tiny interest is better than zero interest from the bully checking accounts, but you have better alternatives. You'll find out about those soon.

Another way to *Love Your Money* is to avoid savings accounts.

SUMMARY

PROS

Easy access to your money. You can go to ATMs.

CONS

You earn little interest.

CONCLUSION

No *Love*.

BRINGING IT IN: CDS

OVERVIEW

You're probably thinking to yourself, "CDs? I *love* the Chunichi Dragons. Hidenori Kurmoto is *such* a dreamboat." Actually, we're talking about Certificates of Deposit. These are places you invest your money for *set periods of time.*

Each CD has a set lifespan (3 months up to 10 years) with a set interest rate. When you put your money in a CD, you have to keep it there. Your money is in prison with no visiting hours.

For example, if you put $1,000 into a one-year CD at 3%, you'll be guaranteed to earn $30 interest after a year. You lock in the 3% rate.

If you take your money out early, you'll get whacked with a big penalty (which negates the reason for having put your money there in the first place).

You are rewarded for putting your money in prison (we're going to pass on the opportunity for prison jokes here) by earning more interest.

CDS USUALLY PAY MORE THAN SAVINGS ACCOUNTS.

The rates will change according to the prison sentence of 3 months, 6 months, or whatever. Most banks have cute little signs in their lobbies showing the most recent rates.

OVERVIEW (CONT.)

Usually, the interest rate will be higher; the longer the sentence. Rates can vary widely from bank to bank, so shop around.

If you need access to your money, avoid CDs. Coming out of school, you may have a lot of initial expenses and need access to cash. The minimum deposit for a CD is usually around $1,000, but this amount varies from bank to bank.

If you don't need your money for a set period of time and you want to lock in a rate, a CD might be a good, safe option for storing your cash. Just make sure that you won't need this money during its prison term.

SUMMARY

PROS

Slightly better rates than checking or savings accounts.
You lock in your rate.
CDs are usually guaranteed by the government.

CONS

Your money is in prison.
You'll pay penalties for taking your money out early.

CONCLUSION

So-so *Love*.
Your money is in prison.

SEMINAR MOMENT

At this point, we used to jokingly ask the audience, "So who here has been to prison? Someone must have a good story."

Usually this question prompted someone to tell a harmless story about how some friends went toilet-papering, got caught, went to jail, and their parents picked them up. We'd laugh and move on.

We stopped asking that question when someone responded, "Yes, I've been there a number of times. I tutor inmates on their literacy skills."

Hilarious.

We learned to *not* make the questions too open-ended.

BRINGING IT IN: MONEY MARKET FUNDS

We've been promising *Love* and here it is. You're not going to end up like Bert.

A money market fund is the Elvis Presley of safe investments. This choice is the King, because it pays you more than a savings account and allows you to write checks. Here are some of the benefits:

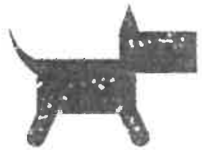
HIGH RATES

Money market funds almost always pay higher interest rates than savings accounts, and usually higher than CDs.

EASY ACCESS

Your money is never *in prison*, like when you invest in a CD. You may not be able to use an ATM to get your money, but many money market funds allow you to zap your money into your checking account in a day's time for no fee.

LOW-RISK *LOVE*



Money market funds are extremely safe *Love*. Think of loving a puppy, or whatever.

CHECK WRITING

With many money market funds, you can even write checks. Is this financial utopia?

Pretty close. There are a couple of minor drawbacks. Read on.

RATES MOVE AROUND

You may put your money into the fund earning 2%, but after six months, the rate may drop to 1% or jump to 4%. You cannot lock in your rate. However, these rates are still usually higher than savings account rates.

NO GOVERNMENT GUARANTEE

The government does not guarantee money market funds, so *theoretically*, you could lose your money. But virtually no US money market fund has ever lost money. You can't find a much safer investment.

BIG CHECKS

If you write a check, it usually has to be a BIG check (often $250 or more). When you need to pay rent or make a loan payment, a money market fund is perfect. For making smaller purchases, you'll still need a checking account.

MINIMUM DEPOSITS

A few have a $1,000 minimum to open an account, but most are closer to $2,500. But most other investments have minimums, too.

NOT AT BANKS

You *usually* can't get money market funds in your local bank. They'll offer something called money market *accounts*, but those often pay the same rates as savings accounts (ask your bank for all of their high interest rate options).

Much like finding your soul-mate, it's easiest to buy a money market fund on the Internet.

GETTING ONE

STEP 1: Go to a mutual fund site. These are the biggest four:

Vanguard Group
Putnam Investments
Fidelity
American Funds

Most money market funds will pay fairly similar rates, but you should still shop around. You may find a few without the check-writing capability that pay higher rates.

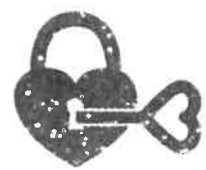
STEP 2: Once you've found a site, you'll want to pick "mutual funds" from your list of choices.

STEP 3: Mutual funds are usually subdivided into different categories (equity funds, bond funds, and money market funds).

GETTING ONE (CONT.)

You'll obviously want to pick "money market funds."

Make sure you arrive prepared, because you'll have to remember things like your name and address. You can refer to your driver's license for these.



So as a quick recap, a great way to *Love Your Money* is to use money market funds. They are a better choice than checking accounts, savings accounts, or CDs, because they pay well, provide check-writing capability, and allow you access to your money. They're the King.

SUMMARY

PROS

Money market funds offer some of the best rates for low-risk investments.
You can write checks.
Your investment is safe.

CONS

Rates move.
You must write big checks.
Money market funds have minimum investments.

CONCLUSION

This is Love.
They're like Elvis: The King.

SIDE NOTE

You may be thinking to yourself, "2% … 3% … 6% … What's the big deal?"

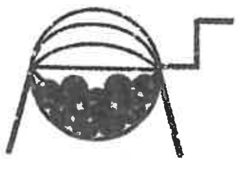
Consider this: If you invest $1,000 in something that pays you 6% versus 2%, you'll earn $60 by the end of the year versus $20.

You are not doing *any* work to earn this extra money, except simply making a decision about where to put it. If someone offered you $40 for doing nothing, wouldn't you take it?

Lay the foundation. If you *Love Your Money* now when you're making small change, you'll see a big difference when you're making the seven-figure salary.

BRINGING IT IN: STOCKS & MUTUAL FUNDS

OVERVIEW

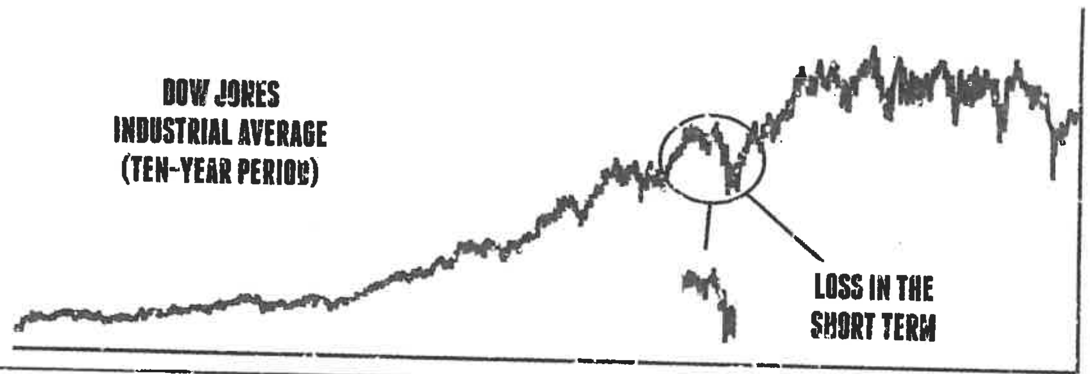


Up until now, we've been looking at *safe* places to put your money.

Now you're entering the world of *high-risk Love*. Investments in stocks and mutual funds come at the real risk of losing money—and not just your 2% or 6% interest. Your entire investment could go into the toilet.

Historically speaking, "the market" has done well. If you look at this graph below, you can see that if you had invested in the *general* market for a decade, you'd have been a winner.

But even during this "up" period of ten years, you could have easily lost your money during *short* periods of time.



OVERVIEW (CONT.)

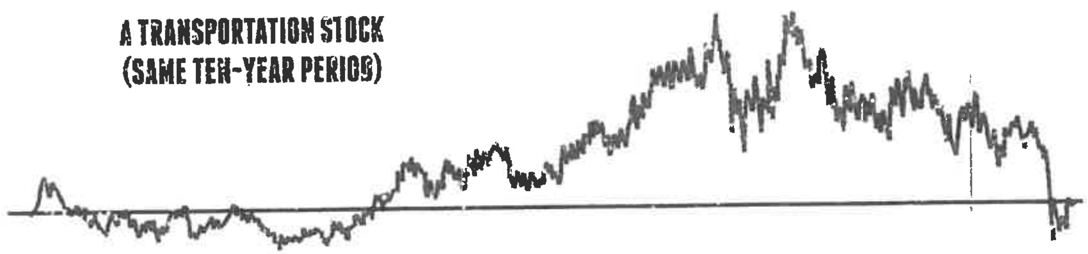
Additionally, had you invested in a single stock during this "up" decade, you could have come up a loser (financially—not necessarily in real life).

During the past ten years, many stocks either went belly-up or declined. Below is an example of a transportation stock during that same ten-year period.

Generally speaking, the market is a great investment over the long term. But *individual* stocks or *short-term* investments can leave you poor and sad.

There are two large avenues for investing in the market: stocks and mutual funds. You'll see that the two are very similar.

A TRANSPORTATION STOCK (SAME TEN-YEAR PERIOD)



STOCKS DEFINITION

When you buy the stock of a company, you're actually buying *part* of that company (but don't expect to own the corner office with the nice view). You own a small, small sliver: if you buy ten bazillion shares, you own a medium-sized sliver.

If the company does well, the stock will probably do well, and you'll be able to buy yourself a nice new watch. If the CEO of the company is a crook and robs the company dry, then you may have to visit the local pawn shop and try to get your money back.

So, owning a stock implies part ownership in a company.

MUTUAL FUNDS DEFINITION

A **MUTUAL FUND** is just a whole bunch of stocks, bonds, or somethings put into a nice little bundle. For instance, one fund might be a bunch of food or tech stocks.

Imagine if your folks secretly owned and ran a huge mutual fund company (another reason to be nice to them). They might have a Food Fund or a Tech Fund. Each fund would invest only in food or technology companies. You'd never really know which stocks were in each fund at any given time *Fund investments continually change.*

Mutual funds are generally considered "safer" than individual stocks, because when some stocks in a fund go down, others *may* go up to offset them.

The important thing to remember is that when you buy a mutual fund, you are allowing someone *else* (a mutual fund manager) to make your investment decisions for you.

If this section is boring you, please refer to page 168.

CAP & COMPASS FUNDS

C & C Food Fund	C & C Tech Fund
Heinz	Cisco
Kraft Foods	Intel
Campbell Soup	Microsoft

STORY TIME

Picking stocks is a lot like picking horses. So we'll tell a horse track story.

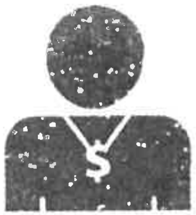
Once upon a time, our good friend Bert spent all his time at the horse track.

He looked in the program, through mounds of information that meant nothing to him, and then picked a horse named Bobby Blue Shoes, because the name sounded cool. (Word of advice: Don't pick stocks because the name sounds cool.) Occasionally, he'd pick the first horse that peed before the race, because it made the horse "lighter."

STORY TIME (CONT.)

Bert continued to use his sophisticated gambling methods until he lost the first three races on which he bet. Obviously, something wasn't working.

He looked through the rest of the program and noticed an ad for "Race Track Eddie's Pick of the Week!" All he had to do was call up Eddie's 1-900 number and pay $4 a minute for his advice.



Bert thought, "I've seen Eddie before. He's that *classy* guy I always see smoking cigars and flirting with the horses and calling them his 'ladies.' He *must* know what he's talking about." So Bert called him at $4 per minute.

Buying a mutual fund is like calling Race Track Eddie. You're paying *someone else* to pick your investments for you.

Race Track Eddie's "Pick of the Week" might make you money, but it might not. You pay a fee for Eddie's advice either way. The same holds true for mutual funds.

Give Eddie a degree from Harvard, change his name to Warren, and that's your **MUTUAL FUND MANAGER.** You pay a fund manager to pick some stocks for you. Your manager might be right. Or might not. But you're going to pay a fee for the advice either way.

Let's say we're hiring Race Track Warren to run the Cap & Compass Food Fund. If you decide that you want to invest in food stocks, you can buy our fund, and Warren will make your individual investment choices.

Once again, you'll know that your investments are in the food sector, but you won't know which specific companies you own at any given moment. If you knew this information, you could make these investments yourself and bypass Warren and his fees.

Hopefully, his decisions will be more informed than picking the first stock that pees before the race. Wait, now we're getting the two characters in our story mixed up.

As we mentioned, mutual fund companies need to make their fees. The government might frown upon 1-900 numbers, so they hide these fees in other ways.

Many times these fees are called **LOADS.** A mutual fund may charge you a **FRONT-END LOAD** or a **BACK-END LOAD.** We considered using a few celebrity-reference jokes here, but voted against it. You figure it out.

FRONT-END LOAD

Front-end loads are charged to you before the race even gets started. Assume that the load is 2%. If you give Warren $1,000 to invest, you lose $20 before the race starts. Avoid them.

BACK-END LOAD

Back-end loads get charged when you *withdraw* your money from the fund. Avoid these fees, too.

ALTERNATIVES

Not all funds charge loads, so why buy these funds?

You don't have to buy **LOAD FUNDS.** In fact, there's no evidence that funds with loads perform better than funds with no loads.

But of course, you have to be charged somewhere. That's where the **EXPENSE RATIO** comes in. (Almost all funds charge this.)

EXPENSE RATIO

An expense ratio is a pay-as-you-go fee, much like a 1-900 number. If a fund has a 2% annual expense ratio, you'll only pay that expense for the number of days your money is in the fund. If you own the fund for half a year, you'll only get charged half the fee, or 1%.

These fees pay the college tuition for Warren's kids and his swimming pool out back (with a diving board)—plus advertising and printing costs.

The expense ratio is pretty much unavoidable. But many funds are **NO-LOAD FUNDS** with the only fee being the expense ratio.

Up until now, when we've talked about mutual funds, we've talked about *stock* mutual funds. When you go to buy your first mutual fund, you'll notice that you can buy a **BOND FUND**, too. Can you stand the excitement?!

BONDS ARE IOUS.

When a company or government (like the US government) needs a little extra money to buy chocolate malts for the ladies at the soda shop, they issue bonds (or IOUs) to get some cash.

The Rule of Money states:

WHEN YOU USE SOMEONE ELSE'S MONEY, YOU HAVE TO PAY FOR IT.

These companies or governments need to pay back their money with interest. So how much interest do they have to pay?

That all depends on you: *At what rate would you feel comfortable enough to give up your money with the chance of not getting it back?* Your answer should depend on who is borrowing your money.

If you lend your money to Uncle Sam (the US government), you should feel pretty confident that you'll get your money back.

Suppose your cousin Tommy starts a company that sells gift wrap that looks like newspaper. *(Think about this for a second.)* You might not feel as safe giving money to his company, which might go belly-up in a month.

In order to give up your money to Tommy, you'd need to get paid a higher interest rate to feel comfortable.

In a nutshell, that's how bonds work. Safe borrowers (like Uncle Sam) issue bonds for low rates, while riskier companies or governments (like your cousin Tommy) issue IOUs for higher rates of interest.

When you buy a *bond* mutual fund, determine whether these bonds are issued by safe or sketchy companies. Bonds can rise and fall just like stocks. Don't just loan your money to anyone.

INDEXES AND ETFS

So now you want to get your hands on some mutual funds, but you don't know which group of stocks, or **SECTOR**, to put them in. Food? Technology? Who knows?

You may want to invest in a broad mix of stocks, because as we mentioned earlier, the general market usually does well over time.

How do you do this?

For starters, it's difficult to keep track of every stock in the world (for most of us), so when people refer to "the market" they usually mean one of the *indexes* below. The Dow Jones, NASDAQ, and S&P 500 are intended to represent the whole market.

You've probably seen these names in the news every day. If not, *watch* the news.

In order to invest in an index, you can do one of two things:

- **BUY AN INDEX MUTUAL FUND**
- **BUY AN ETF (EXCHANGE-TRADED FUND)**

Index	Description	Big stocks	ETF
Dow Jones Industrial Avg	30 of the biggest companies in the US	3M, IBM, Proctor & Gamble	DIA (Diamonds)
NASDAQ	5,000+ companies (many in technology)	Cisco, Intel, Microsoft	QQQQ (for NASDAQ 100)
S&P 500	500 widely held companies	GE, Intel, Cisco	SPY (SPDRs = "Spiders")

INDEXES (CONT.)

An **INDEX MUTUAL FUND** is a fund that mimics the performance of an index. If the index rises 1%, your fund will rise 1%. But you'll still have to pay Warren some fees.

An **ETF** does the same thing, but usually with lower fees.

The **DIA, QQQQ,** and **SPY** are stocks that track different indexes. These ETFs can be purchased like any other stock from an online broker.

If you're looking for an easy way to invest in the general market with minimal fees, an ETF (DIA, QQQQ, or SPY) is a good start.

BUYING STOCKS

The easiest way to buy stocks is to purchase them online. These are some **ONLINE BROKERS:**

Charles Schwab	schwab.com
E*Trade	etrade.com
Fidelity	fidelity.com
Scottrade	scottrade.com
Sharebuilder	sharebuilder.com
TD Ameritrade	tdameritrade.com

Shop around. The fee charged for each transaction can vary dramatically (from $5 to over $40). Often, you'll find a trade-off between price and the availability of stock research information.

As mentioned earlier, stocks represent *high-risk Love*. If you invest for the short term, be willing to handle large price swings in your investment.

Also be aware that stock prices are largely driven by *expectations*, among other things. If you find a company that you feel is strong or weak, determine whether your opinions have already been factored into the price of the stock.

Many stocks fall on positive earnings reports (every quarter, companies announce how things are going), because *expectations* of the company's earnings were even higher than the earnings reported.

BUYING MUTUAL FUNDS

You can also purchase mutual funds through online brokers, like the ones we mentioned earlier, but an online broker is usually a more expensive option.

Avoid the middleman by buying funds directly through a **MUTUAL FUND FAMILY.** Some of your choices include:

AmericanFunds	americanfunds.com
Blackrock	blackrock.com
Fidelity	fidelity.com
Janus	janus.com
Putnam	putnam.com
T. Rowe Price	troweprice.com
Vanguard	vanguard.com

Purchase one of a gazillion mutual fund magazines (with once creative titles like *Mutual Fund Magazine*) for rankings and information on funds and their past performance.

When making your decisions, keep in mind that mutual funds are often romanticized as great investments, because some smart person invests your money for you, and that you're buying a mix of stocks.

When you buy a technology fund, you're still investing in technology *stocks*. If all technology stocks go down (which, amazingly, has been known to happen), your fund also will go down.

Don't be lulled into a false sense of security just because you have Warren on your side.

FUND CHOICES

When you buy a mutual fund, these terms will help:

GROWTH FUNDS: These funds are usually composed of companies that still have growth potential.

INCOME FUNDS: The companies in these funds are more established and make periodic payments.

BALANCED FUNDS: These funds mix stocks and bonds.

Also, **LARGE-CAP** or **BLUE-CHIP** stocks represent large, well-established companies.

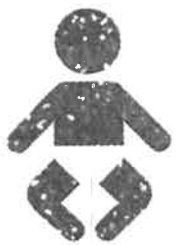
You can (and should) request a **PROSPECTUS** for each fund you consider. The prospectus describes the fund in lengthy, boring language.

GIVING IT AWAY

OVERVIEW

So far, we've only been talking about "Bringing it in." Unfortunately, interest works both ways.

Just like love, interest comes and goes. Sometimes you receive it coming in; other times, you dole it out. Usually you end up giving more than you receive, but if you find the "right one," you'll end up getting more than you ever thought you could.



Before you know it, you'll have little interests running around your house. Just don't invite your interest-in-law to come live with you, or you could end up in an interesting fight.

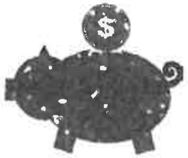
When you use someone else's money, you have to pay for it. You pay interest. This is where "Giving it away" comes up.

The most common ways that people "Give it away" are through student loans and credit cards. Both charge you interest for using someone else's money.

Surprisingly, neither loans nor credit cards are inherently evil. Sometimes, giving your money away at a low rate can even be a *good* thing. If you use loans and credit cards properly, you'll certainly find more ways to *Love Your Money.*

GIVING IT AWAY: STUDENT LOANS

OVERVIEW



If George Orwell were around today, he might write, "All student loans are equal, but some are more equal than others." Or something like that.

Rates on student loans vary quite a bit based on the type of loan (Perkins, Stafford, Plus, etc.), school enrollment status, and when your loan started.

Since policy makers in Washington like to make life difficult for the authors of books covering the life skills needed after graduation, we can't include the giant matrix of current student loan rates. If you saw the grid, you'd hate us for even trying.

But, we'll tell you that rates are generally around 5% to 8%. If you're feeling crazy, **SALLIEMAE.COM** is a good source for more information. Rates reset on July 1st of every year (for new loans and loans that don't have fixed rates).

We'll also share with you some terms that you might find in your research:

Cap is the highest amount of interest you'll ever pay on your loan.

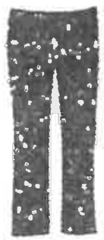
GRACE PERIOD describes the amount of time you have, after you graduate, before you have to start repaying your loan. In some cases, interest still accumulates during this time.

SECRET PERKS FOR STUDENT LOANS

A number of secret perks exist that can save you some money on your student loans. This is the entrance to the Bat Cave. Are you ready, Robin?

DIRECT DEPOSIT (SAVE 0.25%)

If you set up your loan account to have payments automatically withdrawn from your checking account each month, some lenders will give you 0.25% off your loan. Lenders feel a little security



in having money automatically withdrawn for payments, so they cut you some slack. In this way, lenders are more beneficial than your tailor, who will only cut you some slacks.

If you have a loan charged at 5.25% interest, you'll only have to pay 5% with direct deposit. It doesn't sound like much, but it adds up—just like those midnight runs to Taco Bell.

TIMELY PAYMENTS (SAVE 2%)

Some lenders who offer Stafford loans take 2% off your interest rate if you make your payments on time for four years.

Now you're only paying 3% interest on your loan. No, we will not shut up. These deals aren't available for everyone, but ask your lender.

TAX BREAK (SAVE SOMETHING)

You can also get a tax break on the interest you pay on your student loans.

You can take a deduction of up to $2,500 with no need to itemize (make a detailed list). But, Uncle Sam takes this secret perk away from you once you start to make a bigger paycheck.

If the sassy words "deduction" and "itemize" make you cringe, we demystify them for you in our chapter on taxes.

SUBSIDIZED LOANS

SUBSIDIZED LOANS are the best.

We talked earlier about the Rule of Money:

WHEN YOU USE
SOMEONE ELSE'S MONEY,
YOU HAVE TO PAY FOR IT.

In this case, you get to break the rule. "Subsidized" means that the government pays your interest while you're in school. You get to use someone else's money (your lender's) without paying interest.

If you're offered a subsidized loan and don't need the money, take the loan anyway and invest the money in a money market fund. You'll make some free money.

REPAYMENT OPTIONS

Most lenders give you a number of choices for paying off your loan.

Here are the most frequent repayment options:

STANDARD REPAYMENT
Payments are the same each month.

GRADUATED REPAYMENT
Payments start small and gradually increase.

INCOME-SENSITIVE REPAYMENT
Payments are a percentage of your monthly income.

EXTENDED REPAYMENT
Payments extend over 25 years (if eligible).

CONSOLIDATING

CONSOLIDATING means combining all of your student loans into one monthly payment and potentially lowering your interest rate (if rates are lower *now* than when you originally borrowed the money).

Contact your lender for details about consolidating. Also:

YOU HAVE ONE SHOT. You can only consolidate once. If rates go lower, you can't consolidate again.

UTILIZE YOUR GRACE PERIOD. In any given year, the rates on Stafford loans are lower during your grace period, thanks to Uncle Sam. If you consolidate within your grace period of six months, you can lock in this lower rate. That's *Love!*

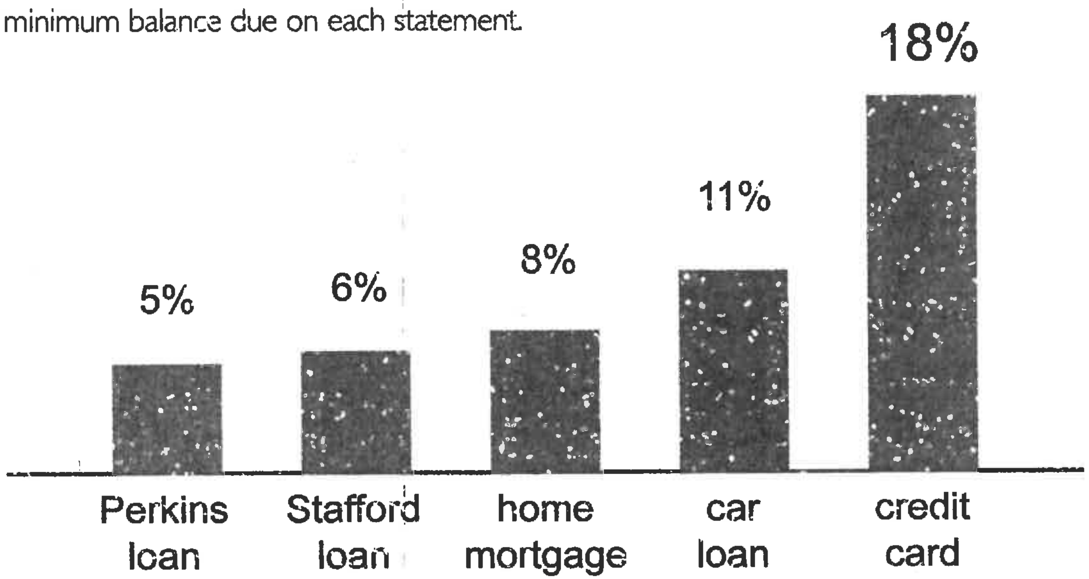
GIVING IT AWAY: CREDIT CARDS

OVERVIEW

Credit cards are very demanding when it comes to interest. They usually charge around 18%, which is higher than almost any other type of loan.

Too many people carry large balances on their credit cards and only pay the minimum balance due on each statement.

If you manage to use your credit card wisely by paying off your balances and using a card with rewards, using a credit card can be one of the best ways to *Love Your Money.*



MINIMUM PAYMENTS ON CREDIT CARDS

Credit cards (or the banks that issue credit cards) make their money from your interest payments. The longer you take to pay back your balance, the more you pay in interest.

To encourage you to keep a balance on your card, cards offer you a low minimum payment on each bill.

If you had a balance of $4,000, your minimum monthly payment would be only $83.33.

Q: If you never used your credit card again and only made the minimum payment each month, how long would it take you to pay off your balance?

The answer is below.

Account Summary

	Previous Balance	(+)Purchases & Advances	(-)Payments	(-)Credits	(+)Finance Charge	(+)Late Charges	(=)New Balance
Purchases	1825.61	4183.99	2000.00	9.60			4000.00
Advances							
Total	1825.61	4183.99	2000.00	9.60			4000.00

Purchases Minimum Due	83.33
Advances Minimum Due	
Amount Over Credit Line	
Other ways to rip you off	
Past Due	
Minimum Amount Due	83.35

Rate Summary

Number of days this Billing Period 31

	Purchases	Advances
Calculation Method	Daily	Daily
Periodic Rate	.05041%	.05476%
Nominal Annual Percentage Rate	18.400%	19.990%
Annual Percentage Rate	18.400%	19.990%
Balance Subject to Finance Charge		

A: ROUGHLY 29 YEARS and **$13,000** later, you'd pay off your balance. If you want to *Love Your Money*, pay the entire balance every month. (FYI: Minimum payments are usually the greater of $20 or 1/48th of the balance.)

Credit cards are often mentioned in the same breath as the devil's children. In reality, credit cards have no satanic lineage at all. In fact, to truly *Love Your Money*, you need to use credit cards religiously.

Credit cards have a number of fantastic perks:

BUILD YOUR CREDIT

Every time you buy something and pay it off quickly, the "credit police" put a gold star on your credit report (figuratively, of course). Your future landlord or bank lender likes to see those gold stars (literally).

A **CREDIT REPORT** is basically your financial transcript. Big Brother keeps track of all your financial dealings for the rest of the world to see. You can see an example of one on the next page.

If you ever want to see a copy of your credit report, you can order one online (for a small fee) at one of these sites:

Equifax	equifax.com
Experian	experian.com
TransUnion	transunion.com

You're entitled to a free copy of your credit report within 60 days of rejection for credit, employment, insurance, or rental housing that was based upon your credit information (Fair Credit Reporting Act).

FREE LOAN

When you purchase something with a credit card, you usually don't have to come up with the money for 15 to 30 days. If you pay your bill (in full) on time, you're not charged any interest. Remember the Rule:

WHEN YOU USE SOMEONE ELSE'S MONEY, YOU HAVE TO PAY FOR IT.

Now *you're* not playing by the rules. You're borrowing someone else's money for 30 days and not paying for it.

Now *that's* Love.

SAMPLE CREDIT REPORT

PERSONAL DATA

Louise Pindleberry	Social Security Number	331-45-2121
Branford, CT 06405	Date of Birth:	2/19/97

EMPLOYMENT HISTORY

Happy Hospital	Location: Erie, PA	Employment Date: 2/12/2015	Verified Date: 12/4/2017

PUBLIC RECORDS

No bankruptcies on file.
No liens on file.

CREDIT INFORMATION

Company Name	Acct Number & Whose Acct	Date Opened	Last Activity	Type of Acct and Status	High Credit	Items as of Date Reported	Past Due	Date Reported
Capital Two	412654460 JOINT ACCT	02/012	6/17	Revolving PAYS AS AGREED	$800	16	$600	6/2018

PRIOR PAYING HISTORY

30 days past due 03 times; 60 days past due 02 times; 90+ days past due 00 times

THEY'RE WATCHING YOU ...

DIFFERENT TYPES OF CREDIT CARDS

Most importantly, credit cards come with rewards. Finally, someone appreciates your ability to spend money recklessly.

Credit card companies usually offer one of three types of rewards: money back, frequent flyer miles, and general points—all better than the shiny nickels given to you by the old lady next door for giving daily washes between her toes.

MONEY BACK

You'll usually earn the equivalent of 1% of your purchases.

FREQUENT FLYER MILES

The value of these rewards varies based on the price of your ticket.

Many domestic flights cost 25,000 miles. If your card pays you 1 point per mile (standard) and you use your rewards for a flight valued at greater than $250, then these points are worth *more than* 1% of your purchases.

GENERAL POINTS

A few cards provide points good for any number of rewards (often worth roughly 1% of your purchases, as well).

Many of these rewards cards charge an annual fee. If you spend more than $5,000 a year on a card with an annual fee of $50, the value of your rewards will outweigh the cost of the fee. If you spend a lot, *get yourself a card with rewards.*

WHICH IS BEST?

Your parents always answered questions with "It depends." "Can I spend the night at Bert's?" "Do you love me more than the cat?"

The question of "Which card is best for me?" also has to be answered with "It depends."

If you fly a lot, you should look into getting a card with frequent flier miles, because they can be worth *more* than 1% of your purchases. If you fly one airline more than others, look on that airline's website for card offers.

But if you spend a lot, *get yourself a card with rewards.*

BIG, DRAMATIC CONCLUSION

If you're a human being (our target audience), you spend money.

If you could get rewarded for charging the money you normally spend, why wouldn't you?

If you want to *Love Your Money:*

GET A CREDIT CARD THAT PAYS YOU REWARDS.

Get rid of those boring credit cards that do nothing for you.

Credit card companies charge merchants every time a credit card purchase is made in a store. If your bill is $10, the store only gets $9.70 of that. The credit card company gets the other $0.30. If the credit card company is willing to share some of its loot with you, why not take it?

Once you get a card with rewards:

USE YOUR CARD FOR ALL OF YOUR NORMAL PURCHASES.

Don't buy an unneeded pair of shoes simply because you want to rack up frequent flier miles. Rather, *every time* you buy groceries, movie tickets, gas, or anything you *normally* would purchase with cash, use *your credit card with rewards.*

If you don't get squat for using cash or check, why ever use them?

DEBIT CARDS

If you don't have any self-control with a credit card, then get a debit card with rewards.

A debit card works the same way as a check. When your card is swiped, money is withdrawn from your account. Once your bank account runs dry, your debit card (usually) doesn't work anymore.

A few debit cards with rewards exist, but they usually pay half as well as credit cards. That being said, they're still better than cash.

Here's one additional drawback to consider: Rental car companies will not accept a debit card to hold a car. You may not have any cash in your account to pay for their car when you drive it into a tree.

GIVING IT AWAY: MORTGAGES

OVERVIEW

A home is different from almost anything else you'll ever buy.

First off, you may only have to pony up $15,000 for a $150,000 home. You can borrow the rest.

Can you see yourself walking into a department store, smacking down $15 for a $150 sweater, and saying, "Don't worry, I'll just borrow the rest"?

Second, you'll have a gajillion different ways to borrow the rest.

Can you see someone in the department store running up to you and yelling: "Hey, you can borrow the rest from me! Would you like an ARM, a balloon, or an IO?" Uh...what?

Third, you can sometimes resell your home for more than you paid for it.

Can you see trying to resell your $150 sweater five years later for $200? Good luck. Try Goodwill.

Figuring out the finances on a home purchase can be confusing, but the choices you make here count a lot more than the size of your fries and soda. We'll help you ask the right questions.

So what's a mortgage? Technically speaking, it's someone's right to your home if you don't make your payments. But technically speaking, that's really boring.

So what's a **MORTGAGE?** For the rest of us, a mortgage is a fancy word for the loan you need to buy your home. If you can pay $15,000 for a $150,000 home, you'll need a $135,000 mortgage to make up the difference. Below are some words you'll see.

The **TERM**, or length, of a mortgage can vary. It's usually 15 or 30 years long (though you won't necessarily keep it that long). If mortgages were shorter, like 5 years, your monthly payments would be much, much larger.

Your **DOWN PAYMENT** is the money that comes out of your pocket to pay for your home. This can be anywhere from 0% to over 20% of your purchase price.

We previously learned in this chapter that when you use some else's money, you have to pay for it. You'll pay interest here, too.

The interest rate and fees for your mortgage will vary from lender to lender, so it's a good idea to shop around. Visit local banks, contact a mortgage broker, or compare rates on websites like Bankrate.com.

When comparing interest rates, be sure to compare the **APR**, or annual percentage rate. This rate will include all fees charged by your lender, allowing you to fairly compare different offers.

Once you finally reach your **CLOSING** (when you sign your papers), you'll have to pay a variety of closing costs.

CLOSING COSTS come in a variety of shapes and colors. You may encounter points, discount points, application fees, credit report fees, appraisal fees, inspection fees, and so on. Most of these will be due at your closing (on top of your down payment—yippee!). Your real estate agent will provide you a list of all of these costs before closing.

You'll have a choice between a few different types of mortgages. Your choice will determine how your monthly payment is calculated.

FIXED-RATE MORTGAGES: Your monthly payment stays the same every single month. Even if mortgage rates go up or down, your payment stays the same.

But, if rates drop a whole lot, you can refinance, which means that you can go to your lender and say: "Yuck! My rate is too high! I'd like to call a 'do-over' and get the new, lower rate." You'll have to pay some fees to do this, but if the current rate is low enough, **REFINANCING** may be worth it for you.

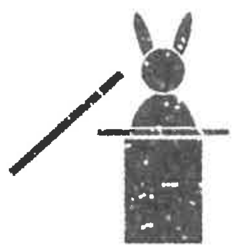
ADJUSTABLE-RATE MORTGAGES (ARMS): Your payment will go up or down based on current interest rates.

You may hear of a 5/1 ARM or 10/1 ARM. This means that your rate is fixed for 5 or 10 years, but then adjusts up or down every year after that.

ARMs are a little bit of a gamble. If you know that you'll be moving in five or ten years, then you'll be finished with your mortgage before it resets to a higher rate. But if you stay in your house for twenty years, you may find yourself making a much higher payment each month.

When you're applying for your mortgage, ask for "an ARM and a leg," with a goofy smile—we *guarantee* that your lender will think you're the funniest person alive.

OH-SHOOT!-I-CAN'T-AFFORD-MY-PAYMENTS-ANYMORE MORTGAGES (OSICAMFAMS): You may encounter a few crazy options that involve low initial payments that turn into much larger payments as time goes on (interest-only loans, balloons, and so on). Some of these can burn you over time, so make sure you understand all the terms of your mortgage before you sign on the dotted line.



One of the hardest things about buying a home is saving enough money for the down payment.

Why is a down payment so important? Suppose you borrowed $135,000 to buy a $150,000 home. Then suppose you ran off to a small village in Ecuador never to be heard from again. Your lender would be upset. Your mother would be furious.

Your lender would want his money back. If he sold your house for only $140,000, he would still get all of his money back because of the "cushion" of your $15,000 down payment. But your mother would still be furious.

Therefore, most lenders require that you make a down payment of at least 20%. If that's too steep, you'll probably have to purchase mortgage insurance. This can go by a number of different names (none of which we'd recommend as a name for your first child): PMI, MIP, and MMI.

By purchasing mortgage insurance, you may be allowed to put down as little as 5% of the purchase price. Plus, this fee can usually be included in your monthly mortgage payments.

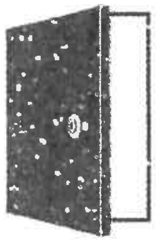
If a 5% down payment is still too much, you many want to look into getting a **GOVERNMENT-BACKED** mortgage from the **FHA** (Federal Housing Authority).

Why would the government help *you* out? Did he see what you did Friday night? Well, Uncle Sam likes to promote home ownership.

You'll still have to pay for mortgage insurance, but an FHA loan allows you to purchase a home with as little as 3% down, and the interest rate can be lower than traditional mortgages.

FHA sets some standards for your house, neighborhood, and credit quality to determine if you're cool enough to qualify to sit at his lunch table.

Ask your broker about your options. Now you'll be armed with questions to ask.



Since you're reading this, you're probably interested in buying instead of renting a place. Why do so many people buy? There are many reasons, but one of the biggest is usually financial. When deciding, you should consider three things:

One, home prices often go up—no one's making any more land.

Two, part of your mortgage payments are tax deductible, unlike rent. Uncle Sam helps you out.

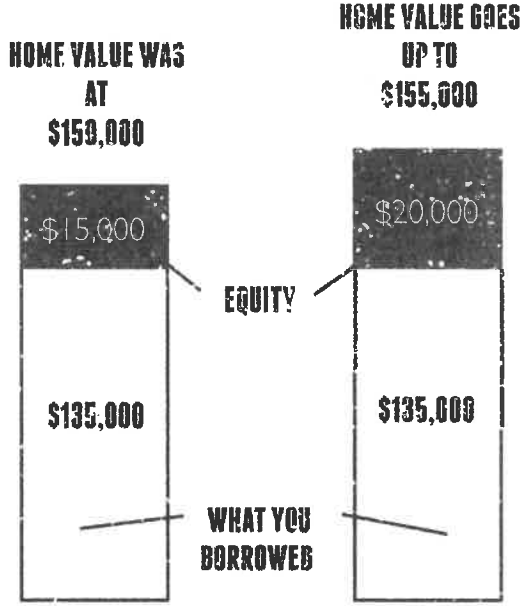
Three, when you make mortgage payments, some of your payment goes toward paying off your house. When you rent, you'll never see that money again (unless you're dating your landlord, but whatever).

This brings us to one of your favorite words (or one that soon willbe): **EQUITY,** which means "what's yours."

If you put $15,000 "down" to purchase a $150,000 home, $15,000 is yours. You have $15,000 in equity. Although you own the whole house, the rest of it isn't really "yours." If you sold your home tomorrow, you'd have to pay back the $135,000.

But here's the cool part: if the value of your home goes up by $5,000 (values frequently go up), *all* of this **APPRECIATION** is yours.

In fact, percentage-wise, this appreciation can often be pretty significant. If you initially put down $15,000 and you make $5,000, your equity has appreciated by 33%. Ka-ching.



PAYMENTS ON A MORTGAGE

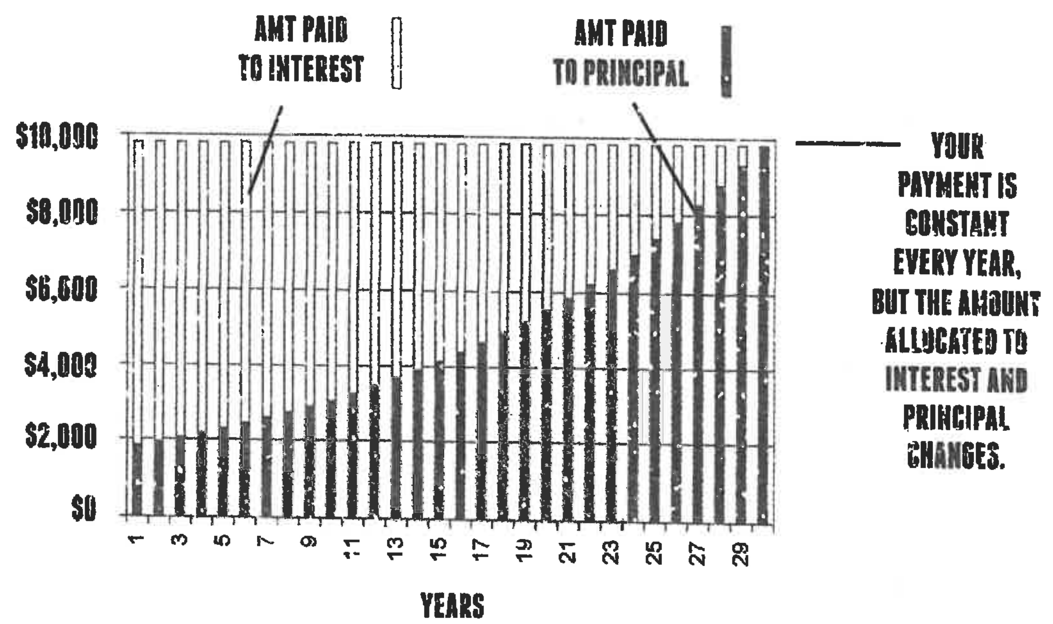
Now that you know about mortgages and equity, let's talk about your **MORTGAGE PAYMENTS.** You should know where your money is going.

Let's say you borrow $135,000 over 30 years at a fixed rate of 6%. (Did you ever think you'd read a sentence like that and *keep reading?* Well, buckle your seatbelt!)

Your mortgage payment will probably be due every month. When you make your payment, some of your money will be used to pay interest (remember: when you use someone else's money, you have to pay for it) and the rest will be used to pay off what you borrowed (the $135,000, or the **PRINCIPAL**).

The chart below is interesting (well, *sort of* interesting). In the first few years, the majority of each payment is used to pay interest.

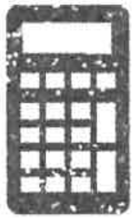
For example, in year one, you'll pay close to $8,000 of your $10,000 in payments for interest. The rest of your payment will pay down your principal (which becomes your equity). But as



PAYMENTS ON A MORTGAGE (CONT.)

time goes by, more and more of your payments will go toward paying off your principal.

Why? Well, at the beginning of your loan, you're paying interest on $135,000 (your whole loan). If you multiply this number by your 6% interest rate, you'll get about $8,000. (If you get a different number, remember to carry the three and the two—or try a new machine called a **CALCULATOR**.)



The remainder of your payment ($2,000) pays down your principal.

But in year two, you'll be paying interest on **LESS** principal (since you paid $2,000 of it off in year one). So, more of your $10,000 yearly payment will go toward principal instead of interest.

How did we decide on the yearly payment number of $10,000? In our example, it's the number that results in a $0 balance on your mortgage after 30 years. Search the Internet for "mortgage calculator" to try this yourself. (Note: The first time you search for this, you'll officially become an adult.)

In our example, you'll end up paying over **$150,000** in interest on your $135,000 mortgage over 30 years. Ouch! But there is a way to avoid paying so much interest (besides fleeing to Ecuador).

PREPAYING

If you can afford it, consider **PREPAYING** some of your mortgage.

If you pay an extra $100 each month on your payment, that $100 immediately reduces your principal amount. This money not only adds to your equity, but it makes your *future* payments more significant.

Why? Since your principal is smaller, your future *interest* payments are smaller. Your total payment due stays the same each month, but more of your future payments will go toward paying down your principal rather than paying all that interest.

If you prepay every month, your thirty-year mortgage will be a lot shorter than thirty years.

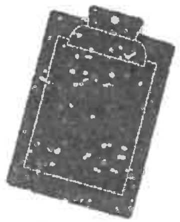
GIVING IT AWAY: BAD CREDIT

There's no magical cure for bad credit. **CREDIT PROBLEMS STAY ON YOUR RECORD FOR SEVEN YEARS** (ten years for bankruptcies). Try to start fixing your problems now.

CONSOLIDATE TO LOW RATES

Put all of your balances on one card with a low interest rate. Many cards offer a low (temporary) introductory **TEASER RATE** as an incentive to move your balance. Take them up on their offer, and save yourself some money in interest payments.

Consolidating your credit debt into one account prevents you from making further purchases, because you have a smaller remaining credit line. Plus, the credit police like to see that you have fewer spending opportunities. One monthly payment also simplifies your bill paying.



MAKE A PLAN

Again, there's no magic plan to solving credit problems. Sit down and lay out all of your income and expenses. Give yourself a budget that will afford you the opportunity to pay off your balances.

In one of our seminars, a student asked, "Hypothetically speaking, what if my *friend* bought a car on his credit card and doesn't have the money to pay for it?"

Our seminar instructor replied, "Your *friend* should get a hypothetical job."

The easiest way to fix your credit problems is to avoid getting into them in the first place. This might be easier said than done, but we won't be able to sleep at night unless we tell you these obvious (or not so obvious) tips.

LIVE WITHIN YOUR PAYCHECK. No, duh. But when you pass that window with those brown alligator skin Manolo Blahniks staring up at you with a $2,500 price tag, how can you resist? Only $1,250 a shoe!

Even if you're not a Carrie Bradshaw wannabe, a plane ticket, rent, or a dinner out can break the budget. To *Love* your money, you'll need to live within your paycheck.

As soon as you start leaving balances on your credit card, you not only pay interest *now*, but you have less money to buy stuff later. And before you know it, later will become now and you'll be itching to buy more stuff with less money.

BEWARE OF "THE MONTHLY." Many high ticket items (cars, electronics, etc.) are pitched by their low monthly costs. Which sounds like the better deal?

(a) $399 per month
(b) $10,000 now

Based on the above, the answer is "Who knows?" How many months will you be paying?

When you purchase something on a monthly basis, **YOU'RE BUYING IT ON CREDIT.** In the fine print, you'll find your interest rate.

If you pay $399 for 36 months, you'll end up paying over $14,000. The extra $4,000 you pay over three years is the cost for paying over time (interest). Do the fancy math (monthly payment x months) and *then* make your decision.

Living on credit is like carrying around a leaky bucket. As water (interest) keeps leaking out of your bucket (savings), you'll have less and less to spend down the road. That's certainly not *Love*.

UNITING THE LOVE

PUTTING IT ALL TOGETHER

After describing "Bringing it in" and "Giving it away," this section puts it all together. This is where everything falls into place and you get a warm fuzzy.

At the beginning of the chapter, we mentioned the idea that the interest you *pay* is the same as the interest you *earn*.

At some point, you should look at all the places where you're *earning* interest and all the places where you're *paying* interest. Then take a look at all of the different interest rates.

Compare your credit card and loan rates to your savings account and money market fund rates. Where is most of your money? What interest rates are you paying and receiving?

YOU SHOULD MOVE YOUR MONEY TO THE *HIGHEST* INTEREST RATE.

If your credit card charges you **18%**, but you earn **5%** on your money market fund, put most of your money towards your credit card. A rate of **18%** is certainly the highest.

If your car loan charges you **2%**, but you earn **5%** on your money market fund, put most of your money in your money market fund. The **5%** rate is higher.

The next two examples should make this clear. This is how to *Love Your Money*.

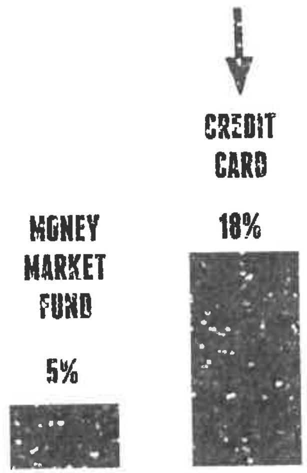
MOVE YOUR MONEY TO THE HIGHEST INTEREST.

EXAMPLE 1

If you have a balance on your credit card, you should obviously try to pay off your debt as soon as possible. An 18% rate is obnoxious.

At the same time, you should look at your investments. If you have money in a money market fund paying you 5%, you should *take money out of this account to pay off your card.* Keep a reserve, but do this to save yourself money.

If you're paying 18% to earn 5%, you're losing money, when you could be paying off your credit card bill more quickly.



EXAMPLE 2

Imagine that you have a special rate on a car loan where you only pay 2% interest. If you have the opportunity to pay off that loan early, you should resist the temptation. Keep your money with the highest interest rate.

Keep your loan for as long as you can, because your loan has a low rate. You are making money by borrowing at a low rate and investing at a high rate.

The same holds true for low-interest student loans. Keep them. If you can borrow at a low rate and invest at a higher rate, you can make a little extra money for yourself. That's *Love*!