

CHAPTER 1

The Big Picture

For several years now, money has dominated the national conversation. Our CNN/ORC polling first put the economy as “Issue Number 1” back in December of 2007. From the financial crisis in 2008, to the Great Recession that ended in late 2009, to the job drought that followed—virtually every headline that matters to your family’s well-being has been about money.

America is downgraded. The unemployment rate is stubbornly high. Congress fights about how to spend your money, and the nation’s debt and deficits grow and grow.

China’s economy is soaring. Emerging markets are on fire. Europe has a debt crisis. State and local governments are closing parks, raising fees, firing teachers. More than a quarter of all homeowners owe more on their home than the home is worth.

What’s going on with gold? Stocks have been a nervous wreck and bond yields have reached record lows.

Oh yeah, and the Fed has pumped trillions of dollars into the banking system to grease the economy.

What does all this mean?

Parlez-vous anxiety?

Need a job? Have one but want a promotion? You need to speak money to understand that every hire is about a boss making a financial decision. Want your child to find a good career? You need to speak money to choose a college and a major that won’t bankrupt your family or saddle the kid with debt. Want to just keep your money safe in the bank? You need to speak money to make sure

your friendly neighborhood banker isn't siphoning away your hard-earned cash through needless fees.

Maybe your money problem is not having enough of it. Or maybe you have no idea how much it will take to retire, because you are just trying to make the money last the month. Or maybe you are just downright angry that the money seems to flow on Wall Street but Main Street is hurting. And maybe, just maybe, you have the unsettling concern that America's best days are behind her.

It may sound harsh. But you can't afford not to learn this language.

We're not advocating the blind pursuit of material things and financial success. *Au contraire*. We're just saying you need to understand all of this happening with urgency around you, so that someone else's blind pursuit of money doesn't hurt you and you can live the life you deserve.

What does it mean to be fluent in money? It means following all of these conversations—about college, jobs, debt, deficits, and politics—and translating what it means for your family.

We want you to make your family and your world a better place. Cheesy? Yes. Possible? Absolutely.

Money Is Everywhere

Whether you think it is crass or greedy to admit it, the fact is money is the world's global language.

Being fluent in money affects every area of your life. It's more than simply your savings or the investments you may have.

It's about the way you spend it, save it, invest it, use it, need it, and want it. Your financial life includes your house, your job, your family's education, your monthly budget, your retirement planning, and your credit cards. It's about your ability to defer pleasure versus your desire for instant gratification. It's how you decide whether to take that vacation, buy that furniture, or go out to dinner versus using that same money to build your nest egg, save for retirement, or fund your kids' college education.

It's also about how you vote and what you expect from your government, because guess what—your elected officials may not speak money with the same accent you do!

The two of us speak money every day for our job, trying to translate what is happening in the halls of Congress, the boardrooms of

corporate America, and the humming ports of China. These stories are connected to your everyday life; of that, we are certain. The culture of commerce is everywhere, and it affects your interest rates, your job prospects, and your retirement hopes.

There's very little information that doesn't have something to do with money. Whether it's a drought in far-off western China or a two-year redevelopment plan on a busy street in your town, these events can have a meaningful impact on your life and on your finances. It's certain that they'll affect you. If you know how to speak money, you'll be able to take advantage of them.

That drought in China? If the lack of water means that the Chinese can't grow enough grain to feed their own people, they'll be forced to buy food from other countries. That will push up worldwide prices for wheat, corn, and rice, and everyone will feel the pain at the checkout counter in the form of higher grocery bills. But at the same time, those who are fluent in money might invest in a commodity fund that positions them to capitalize on the rising price of basic foodstuffs.

As for the redevelopment plan in your town, watch what happens in the early stages, when jackhammers and bulldozers start ripping up the street. As sidewalks narrow and dust fills the air, retail businesses close and property values fall. People prefer not to shop or eat in the midst of a major construction project; and no one wants to live on a street that sounds like a war zone. But when all is completed, money comes back to an improved neighborhood. The streets look better. The buildings have new facades and they appear more upscale. Those who were able to wait out the process—or who bought in during the active phase—find their stores and homes are now worth more.

We also acknowledge that people approach money differently and use money to express themselves in an almost infinite number of ways. Just like us, two people can have different wants, needs, and expectations from money. Speaking money in your personal relationships also means understanding where your friend/partner/spouse/co-worker/kid is coming from and knowing there is no wrong answer.

To be fluent in money, you have to use it to express your own thoughts and your own wants and needs. You have to give it your own spin, just as you speak English (or whatever language you speak) with your own individual vocabulary, accent, and syntax.

Understanding Money

As commercial and trade barriers have fallen, money has taken on a decidedly international flavor. We now have access to opportunities in countries that were formerly not sufficiently developed to deliver the requisite transparency and verifiable information that investors demand. Schools now teach skills that will enable us to land jobs in almost any country on Earth. While the pace of change is obliterating certain ways of working, it's also creating new careers with outstanding growth potential for those with the foresight and commitment to take them.

At the same time that the world is becoming increasingly money-fluent, money is becoming more intimate as well. We're learning more about basic, fundamental differences between men and women; differences that affect their approaches to wealth building, budgeting, and planning.

The thing is, everyone speaks it differently. That's among the factors that make money such a fascinating language. Ali sees a stock market decline of 635 points, and is instantly scouring the S&P 500 for potential growth sectors. Christine sees the same decline, and thinks first of how many more months of working it will take to fill up the college savings fund again.

You can't speak any language—money included—without understanding some basic principles. You have to know the nouns, the verbs, the rules for conjugation, where the modifiers go, and more. Understanding these things is easy in languages we've heard from birth; but it can be more difficult when we're learning one for the first time. With any luck, though, money isn't completely foreign to you—you may just need a refresher course.

Nouns, as we all remember from junior high school, are names of people, places, and things. (There are also what are called abstract nouns: honor, duty, friendship, and so forth; but this is a financial book, not an English lesson.) In the world of money, nouns name the areas of your financial life and the products that can help you achieve your goals. They include words like *budget*, *education*, *investments*, *career*, and others.

Money verbs—action words—include *study*, *apply*, *buy*, *sell*, *hold*, *trade*, *train*, and many more that describe steps you take to secure a better future for yourself and your family. We could go on to draw

analogies for adjectives, adverbs, conjunctions, prepositions, and even expletives, but really . . . enough already.

Where Are You?

The other parts of money you need to know are the grammatical rules that guide putting the various words together. This begins by understanding where you are in the life-building process. The steps that a college student should take are different from those recommended for a 35-year-old. A married mother of two must chart a different course from the path chosen by a single, unattached male. A couple nearing retirement has neither the requirements—nor the range of options—of a couple in its prime earning years.

What are the biggest impediments to obtaining the life you want? The life you need? The obstacles fall into two categories: external and internal. The external factors include the big, macroeconomic shifts taking place around the world. You can't influence them any more than you can affect an approaching hurricane. The best you can do is to understand them and deal with them.

The internal factors, though, are completely under your control. These include how much money you spend, how much you save, and how you position yourself for success in a changing world. If a storm is coming, then a storm is coming: You can't change that. But if a storm is coming and you don't prepare for it—if you don't close your windows, put batteries in the flashlight, and put the car in the garage—then the damage is likely to be your own fault.

Neither you, nor your spouse, children, parents, boyfriend, girlfriend, roommate(s), partner, significant other, dog, cat, or goldfish is responsible for the Great Recession. You're not responsible for jobs lost in the American manufacturing sector or the budget deficit. If you own a home, you're not responsible for it perhaps being worth less today than it was when you bought it. (That is, unless you bought it with an interest-only loan with no money down and fudged your income in the loan process. We can't help you with that.)

But you *are* responsible for the way in which you respond to these realities. Complaining is not an action plan. Blaming the universe won't help you fix things. You need to move forward despite the unfairness. Life is tough: You must be tougher.

So we're going to give you a series of language lessons to help you understand those previously foreign areas of your life. You'll see how to live below your means so that you can put money away for the future. You'll learn what jobs offer the best growth prospects, and where those jobs are located. You'll understand that globalization—among the most feared words in the lexicon—need not be a threat; it can be an opportunity. And you'll discover that, no matter what your age, you can start making it better.

Getting to Where You Want to Go

The first order of business is to understand *who* you are and *where* you are. What do you like? Can you narrow it down? What's your appetite for risk? How much do you know about investments? Do you live on a budget? Are you a planner? Are you disciplined? How old are you? Do you have a family or are you unattached? None of these markers say much in and of themselves, but collectively they can help you open profitable doors and close the drafty ones.

If you're young enough to still be in school, then the world is your oyster. True, jobs aren't as plentiful right now as they were in the mid-2000s, but you can still pursue a course of study that will lead you to an in-demand career. If you're somewhat older, perhaps engaged in a career that doesn't seem as rewarding as it once did, maybe it's time to consider transitioning into a field more in line with your talents and expectations.

If you're nearing retirement, or wondering how you're ever going to retire, let's look at the careers and life opportunities that would benefit from the experience you've accumulated in your years on Planet Earth. Remember, you're in charge of your own life. You have choices. Only you can judge which choice will be most satisfying for you. Our job is to lay out the options, provide guidelines, offer our perspective as professional financial journalists, and let you know that you're not alone in this effort.

We don't want you to be afraid of money when you're talking with your family, with your boss, with your credit card company, or with a prospective employer. We want to make sure that you're comfortable enough with the basics of this material to take the next step and start building wealth on your own. Instead of being defensive about financial issues, we want you to be assertive enough to get your money to work for you.

When you boil it down, we're all looking for comfort and happiness. Each of us may define those things differently, but money is the common tool that makes them possible. We can't say it enough: Please understand that we're not talking about the race to acquire a lot of money, because that's not what we're about. We just want to make sure that you're not sabotaging yourself by not knowing how to speak the language.

At the end of the race that we call life, the people who are successful and comfortable are the people who made sure they had a cushion there. That cushion brings a pretty significant sense of calm, and it gives you the freedom to pursue other things that make you happy.

In our 10 years of working together as financial reporters, we've observed trends, fads, bubbles, and troughs. We've seen bull markets and bear markets, and we've seen conditions that were good, bad, and—recently—quite ugly. Our takeaway is simple: There are no shortcuts to success; there are no get-rich-quick schemes that work. Success takes planning, discipline, and dedication. Wishing is not a strategy.

But the good part is that the steps you need to take are really not so difficult. They're logical and doable. Once you begin to learn the language, each subsequent step is easier. Once you start to move forward, you build momentum quickly. As Isaac Newton put it some 350 years ago, "A body in motion tends to stay in motion." That body can be yours.

Getting Started

You know more about money than you think you do. There is an intimidation factor that exists with money that doesn't exist in other areas of our life. But we are here to tell you that you make important decisions every day without necessarily thinking that they are money decisions. For example, so many decisions about education are ultimately, financial decisions. Your kid gets a bad report card, and earns from you a week grounded from the cell phone. That is a financial decision—you are angry about the grade because of what it means for his future college and job prospects. And the grounding is powerful incentive to change the behavior by denying the kid a reward that has financial value he relies on. Even what you eat for lunch is a financial decision. That's why lunch specials do so well.

Christine loves cucumbers and celery at the company salad bar. Ali likes to remind her that those are the worst return on her lunch money. Sun-dried tomatoes and beets, believe it or not, are more valuable per ounce.

But most people aren't like us, weighing just about everything as a financial transaction.

We don't recommend obsessing about the relative value of sesame seeds versus bacon bits, but we do think too many people get bogged down in the details of their financial life at the expense of the overall picture.

Mapping a coherent strategy can be difficult. We often see people who have painstakingly paid off debt to improve their credit score, only to borrow too much money again, reverting to the old ways that started the problem in the first place without getting even a step closer to more retirement money.

So you need to define your needs and wants (two different things), relate them to your position in life, and then—and only then—map out a plan to make the two conform to each other.

Most people pick up whatever they know about money haphazardly. Very few of us grow up reading the *Wall Street Journal*. Not that many of us have parents who educated us about saving and investing, about making financial choices, about budgeting. It's ironic that there's more emphasis on sex education than financial education in our public schools.

Life costs money. That's why you need to understand your finances.

—Thomas Wynbrandt, *American author and songwriter*

What we know tends to come from experience. Some of us work through high school; more of us work in college; and all of us (we hope) find jobs and enter the working world after we finish our formal educations. But while we may know what it means to pick up a paycheck and to pay our bills, fewer of us understand how to structure a financial plan that will help us build for the future.

To fill the gap, some of us hire financial advisors. We nod along and pretend to be knowledgeable when they present us with their strategies, all the while hoping they know what they're doing. Because not only don't we know enough to develop our

own plans, we don't know enough to evaluate the ones they've prepared for us.

Our secondary schools should do a better job of making students financially literate. Every student should know about interest rates, investment categories, the difference between good debt and bad debt, the power of compound interest, and all the other subjects that, when understood, can help them make the right choices to gain control over their financial lives.

In today's world, speaking money is a basic survival skill (have you been watching the news?), just as important as knowing how to drive a car or send a text message.

The truth is, it's never too early and it's never too late to begin saving and investing your money. And just about every decision you make is a step toward that goal.

The Key to Wealth: Live Below Your Means

We've all heard stories of people who lived beyond their means. Just a few years ago it was very easy to do—rising real estate prices meant that just about everyone could borrow against the value of their home and have a good time with the money: ritzy vacations, giant hi-def televisions, fancy cars—you name it. But with the crash and the attendant recession, that kind of extravagance (And frankly, some lived beyond their means to pay for college tuition and medical bills—extravagant no, but a dangerous position to be in.) became not just obnoxious, but impossible. Many of those people lost everything, including the homes that fueled their behavior in the first place.

The smart thing to do is to live *below* your means, and to put the money you don't spend to work for you. How? By investing it. Your choice of investment vehicle is up to you, but the basic principle—putting your money to work—is constant.

Most everyone feels they're already doing all they can. And most everyone turns out to be a little bit wrong. To get a real handle on your spending, you must have a budget. A real budget. A budget that tracks every dollar you spend on everything: housing, transportation, food, entertainment, laundry, clothing, tips, pets, kids, lottery tickets (a poor strategy for building wealth, but a strategy nonetheless)—everything.

In each category of expenses, there are probably creative ways to reduce your costs and free up some funds you can then put to work. Not all of these creative solutions will square with your idea

of a Cliff Huxtable household, but they will work, and that's the important thing.

Living below your means is the one character constant we've observed in all the successful CEOs we've ever interviewed. Many of them are naturally frugal, unimpressed by the showier trappings of wealth. Some had frugality forced on them by circumstance, and they found the discipline beneficial. A few others we've covered over the years lived to the max, the equivalent of the ugly American on the demure streets of Paris. Many of those are serving time. But hey, that's probably just a coincidence.

Change with the Times

More and more, we're seeing people adapt to changing circumstance in ways that are innovative, intelligent, and heretofore uncommon. Take housing, for example. Many families have added an extra generation to the household. When Grandma or Grandpa (or both) move in, they help with the rent, help with the kids (a major plus in a household with two working parents) and they no longer have to carry the expense of their own residence, freeing up money for the extended family as a single unit.

This won't work for everyone, but the pursuit of financial independence often requires a few sacrifices. And let's not forget that multiple generations under one roof was the norm in this country (and in all societies) not that long ago. Most families who have tried it say the benefits go far beyond the financial. They say it builds a sense of closeness and unity that is emotionally satisfying for all members of the household.

Food is another area in which it's possible to economize. Cutting back on restaurant meals is the easiest step. Cutting back on take-out is next. The third step is to be a more careful shopper. Buy non-perishable items in bulk. Use coupons—their use has soared in the past two years. Take advantage of flash sales on Groupon and other social networking sites. Your savings can be significant.

Start putting your money into different buckets. We did a story recently on a 14-year-old Florida boy who already has four separate bank accounts. One is his savings account, one is his checking account, one is his college fund, and one holds the money he'll use to buy a car when he's old enough to drive it. The young man puts

at least \$10 into the bank each week. That's the kind of consistency and discipline we'd all do well to emulate.

By dividing your money into different pools, depending on what you want it to do for you, you're doing more than just accumulating it—you're giving it a purpose. It makes it easier to save, because the reason you're saving is more concrete. If you're saving for a car, for example, you can feel that car coming closer with each deposit you make. If you're planning for a new kitchen, having a new-kitchen account will make that item increasingly real for you, spurring your efforts to reach the goal more quickly. (That said, our reporting has shown that a kitchen renovation is an expensive investment that will not return all of your money. Perhaps you should consider a "new siding" or a "new insulated garage doors" fund instead. People fluent in money are making those investments. Until the housing market improves, we are not ready to recommend a fancy kitchen renovation as a good investment. But if you want a new kitchen because it makes you happy and you can afford it, we hear ya. Go right ahead.)

It's Up to You

One more word of advice: Don't expect help from anyone. Assume you're going to have to do it all on your own. It would be nice if you had a support staff, but you don't. Take charge of your life. When you do that, you're learning how to speak money.

We live in difficult economic times, and it doesn't appear that they're going to get much easier anytime soon. That's why you need this book. You need to be able to speak money in order to live your life well.

Here's how we'll do it. We've divided the book into 12 chapters, each of them dealing with a different area of your financial life. We're writing the book together—Ali and Christine, Christine and Ali. But just because we're writing it together doesn't mean we agree on everything all the time. No two people do. So where we disagree, we're going to give you both points of view. Neither is wrong; it's simply that there's more than one way to be right.

In fact, that's one of the most important things to understand about speaking money: It's personal. Your decisions have to be right for the person you are. Ultimately, you're the only one who knows how important that car, that vacation, or that TV is to you.

Only you can decide whether the pleasure you'll get from a given purchase outweighs the potential value of that same amount of money if you invest it instead.

Again, it's your life. You should build it so that it's satisfying to you. We can (and will) give you the tools, and we can (and will) show you how to use them. But what you create is strictly your call.

Different Strokes, Different Folks

The person you are is a combination of your genetic makeup and the experiences you've had. Those experiences start with home life and expand as you get older to incorporate more of the wide world around you. For us—Christine and Ali—our differences are completely understandable in light of our dissimilar backgrounds.

Making Your Plan

There are no short cuts in getting where you want to go. But, fortunately, there are paths you can follow that will lead you to your



How to Speak Money—*Talking Points*

Ali says

My father, my grandfather, and my uncle were business people in South Africa. They ran a big industrial bakery there. They were also anti-apartheid activists. When the government began to crack down on their political activities, my mother and father decided to leave. My father was 25, my mother was 18, and my sister had just been born.

They moved to Kenya. My father opened another bakery and he ultimately landed in real estate. Then I was born. Eventually, my parents felt the political situation there wasn't stable enough for the long term. So when I was one-and-a-half, we all moved to Canada, where I grew up.

At an early age—I think I was 12—I began investing in stocks. I loved to get the newspaper and check the price of the stocks I owned. It was the same way some kids check baseball stats, only much nerdier.

Being only 12, my stock-picking methodology wasn't very sophisticated. But I wanted to learn, and a few years later I had a stockbroker and we would talk about various companies. In retrospect, he must have been quite amused. I was barely 15.



How to Speak Money—*Talking Points*

Christine says

I grew up in Iowa, the granddaughter of farmers, a profession among the riskiest in the world. In the best of times, farmers deal with shifting variables and unrelenting uncertainty.

You are always at the mercy of the weather. If it doesn't rain, it rains too much. If there is hail or pests or drought or flood, it will wipe you out. A broken tractor part at the peak of planting or harvest is an immediate cash nightmare.

Even deciding what to plant—corn, soybeans, wheat, maybe try cotton this year since it is forecast to be dry?—is fraught with huge financial implications. Some farmers owe the bank for the seeds, for the note on the combine, for the trucks, for just about everything else.

Then there is another kind of farmer—incredibly risk averse. That was us. My maternal grandparents paid cash. They planted one year with the profit from the last. That was passed down to me. My dad's folks were equally careful with money. Their cultural references were the sinking of the *Titanic* and the Great Depression—both exercises in risk run amok. These were powerful influences for a little girl.

destination. Our friend Bruce Sellery, a very successful financial expert and best-selling author, laid out a five-step program in his book, *Moolala*. The steps are easy and straightforward, and they make a lot of sense.

1. *Lay the foundation.* Answer the question, “What’s my money for?” In truth, it’s for everything—it’s for experiences, it’s for living, it’s for contributions, family, stuff, and wild cards. So understand what you need from your money. Once you answer that question, you can take a deep breath and start to relax. You’re on your way. Because once you’ve identified your interests, it’s much more likely that you’ll make the responsible decisions, rather than buying the Jimmy Choos or the Rolex.
2. *Determine what you want.* There’s a big difference between “retirement” and “living in a villa in Tuscany” or “getting a master’s degree in French Literature.” One is vague and boring; the others are specific and exciting. The more you

visualize exactly what you want your future to be, the easier it will be to achieve it. (This concept of visualization, by the way, is exactly the discipline used by star athletes to reach their full potential.)

3. *Develop a plan for your money.* It's funny. People develop plans to lose weight; they adhere to a plan at the gym; they'll develop a plan to launch a product at work; but when it comes to their finances, they're often lost in space. That won't cut it. Figure out what it will take to get you to your goal.
4. *Take action on your plan.* We're a procrastinating species. And when we realize we haven't done anything, we ask ourselves, "Why haven't I taken action on my plan?" Well, there are likely a million reasons. And while they may all be legitimate, they don't really matter. So the question we should be asking is, "What will it take to get me to take action?" It may be creativity, patience, discipline, courage, or a combination of them. But you've got deep reservoirs of each of those qualities. Don't be afraid to move forward.
5. *Stay engaged.* Wouldn't it be great if you could fill your refrigerator one time and it would stay full for the rest of your life? Needless to say, it doesn't work that way. You have to keep on top of it. It's the same with your money. If you don't keep control of your financial life, the future will just happen to you. You deserve better.



How to Speak Money's Words to the Wise

1. Self-awareness (*sel•fa•wair'•niss*): Know your own mind. Only you know what will make you happy. Only you know where you want to be in 3, 5, 10, or even 20 years. Once you define your individual goals, you can then begin planning to reach them.
2. Big Picture (*big•pik'•sh'ŋ*): Don't get so caught up in the details of money management that you neglect the large, strategic issues that are most important to your future. You need to look at the whole forest, not the individual trees.
3. Under-spend (*un•d'r•spend'*): Live below your means. The less you spend now, the more you'll have to invest for later. It takes discipline and focus, but spending less than you earn is the only sure path to growth.