



A No-Stress  
Guide to Becoming  
Financially Fit

# YOU and Your Money

LOIS A. VITT  
KAREN L. MURRELL

Foreword by DALLAS L. SALISBURY  
*President and CEO, Employee Benefit Research Institute*

# YOU and Your Money



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Becoming Financially Fit

LOIS A. VITT  
KAREN L. MURRELL

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*To our children: mine, theirs, and yours.*

*LAV*

*To my parents—my first money management teachers.*

*KLM*

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# FOREWORD

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My parents are now aged 93 and 90. They were 19 and 16 in 1929 as the nation moved into the Great Depression. As a result, my father had to transfer from a high-cost private college to the low-cost public university. He hitchhiked 30 miles to and from classes each day, spending three to five hours just getting to and from school. During the early years of their marriage, my folks ate graham crackers for dinner three nights a week. They never lived beyond their current income, never had credit cards, bought a home in their mid 30s, and paid off the mortgage in their 50s.

We went without many things that the “Joneses” had as I grew up, and the words “You should never try to keep up with the Joneses” still ring in my ears. My folks considered wants versus needs and understood what it meant to save until you can pay for what you buy. They used credit only for major life-changing purchases like a home and real emergencies, not for impulse buying in response to feelings of “I have to have that.”

You too must understand how important behavior—what you *do not do* as well as what you *do*—affects your life, your money, and your future security. You must understand that programs like Medicaid, Social Security and Medicare, Supplemental Security Income and Welfare will allow you to live in the basement. But taking personal responsibility is essential to live anywhere between the first floor and the penthouse.

*You and Your Money: A No-Stress Guide to Becoming Financially Fit* puts all of this into perspective in a clear and riveting way. It underlines that you are in charge of your own well-being whether you like it or not, and it shows you how to become *successful*. From telling you about “The Right Stuff” and walking you through your own values to managing your finances so you can achieve your goals, this book will make a difference for every reader and their entire family.

Unlike my parents' day, or my own early years, we are now bombarded with "free" credit cards that carry high interest rates and gross penalties for being a dollar short and a day late. Ads push us to buy with no money down and no payment for months. Ads sell us on "low" monthly payments without mention of the total price, and they challenge us to "keep up with the Joneses." Even some politicians say it is our patriotic duty to spend so that the economy will grow. We get very few messages about how we could Choose to Save instead (see [www.choosetosave.org](http://www.choosetosave.org)). We see too few messages about how making financial fitness a value that drives our behavior can provide what we truly want and need to make us happy and secure. This book does those things. It provides a guide for independence and a roadmap for financial security.

My parents marvel at the fact that they are still alive: survivors of depression, poverty, illness, raising four children, World Wars, and so much more. Through it all, they lived according to their values, took charge of their own well-being, were savvy consumers, avoided debt, and built good credit when they had it. They committed to a savings plan, communicated about money, chose housing wisely, planned for life transitions, prepared for disasters, and found help when they needed it. They have made it to their 90s as a happy and independent couple, soon to celebrate their 70th wedding anniversary!

This book does not promise you a Diamond Wedding Anniversary, but it will guide you in ways you can lower your financial stress levels and increase your real happiness. It is all within your own control, if you reach out, believe in yourself, and grab hold of your courage. Like my parents and, perhaps, your parents too, you have "The Right Stuff" within. Let Lois Vitt and Karen Murrell show you the path to becoming financially fit.

*Dallas Salisbury*  
*President and CEO*  
*Employee Benefit Research Institute*

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# PREFACE

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**A** movement toward increased consumer financial literacy is gathering momentum across communities, schools and colleges, workplaces, faith-based organizations, financial companies, the media, and all levels of government. Its message is clear: The key to success in the twenty-first century is within everyone's grasp if we embrace the concept of personal responsibility. To get ahead, we simply need to take charge of our own financial livelihoods.

Although consumers today have unprecedented access to financial resources through work, news sources, articles and books, seminars, and Internet offerings, there's more to the equation than just information. There are other complexities. More than just receiving information, we also need to understand the general economy, the capital markets, the health care system, and the details in the contracts we sign. If you are confused, you are in good company. Even noted Harvard University law professor and consumer advocate, Elizabeth Warren, complained on national public television that she found it difficult to understand all the fine print in a typical credit card contract.<sup>1</sup>

Typically, sponsors of financial education and published information believe that when people are given access to financial advice, they will automatically choose to be more prudent in their spending decisions. Financial information alone, it is thought, is enough to motivate people to plan ahead, save for emergencies, invest for future education costs and for retirement, and engage financial service professionals to help navigate the maze of investment choices.

Unfortunately, it isn't that simple. Financial information alone—no matter how skillfully it is presented—often does not resonate with most people mainly because the information is so voluminous and the changes in society are coming at us so fast that it seems we will never process it all.

The laws of motion as defined by Sir Isaac Newton and the great astronomer Galileo provide a framework for understanding inertia and

momentum. Their wisdom indicates that a body at rest will remain at rest until moved by an outside force. The law of motion applied to understanding financial issues and putting them in practice—saving for emergencies, education, home ownership, and retirement—suggests that if people do little to plan for these life events (that is, remain at rest), they will make little headway.<sup>2</sup> Some outside force is necessary to provide the push to prepare for future financial security.

Unlike inert objects, however, we humans require some inner spark to generate the momentum that can propel us forward. In other words, the “outside force” of available financial information and education must be met by an “inner desire” to learn and to apply financial concepts. Partially due to how complicated we may think it is and how busy we are and partially due to our “buy now and pay later” culture, that spark may have been dampened. We may have fallen behind the curve of personal financial knowledge.

It doesn’t have to remain this way.

As financial education researchers, teachers, and consultants, we’ve seen how the principles we write about in this book can turn even rank amateurs into competent money managers who enjoy the process of building financial security. *You and Your Money* combines our insights about today’s changing societal realities, the character traits of people who have achieved success, and the financial basics. We show you four steps everyone can take to attain the promises of the *New American Dream* of the twenty-first century.

The first thing to realize is that we all make money from the inside out! Once we see the possibilities and realize they are within our reach, *then* we can achieve them. With this in mind, you can change your behaviors and spending and savings patterns and can implement a new strategy that will transform your approach to finances. Your savvy in this critical area can improve the quality of your whole life. You can be more confident about who’s in charge of your financial well-being.

*You are!*

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We express our deep gratitude to Jim Boyd at Prentice Hall for his patient and insightful shepherding of this endeavor over the long haul. We very much appreciate the helpful comments of our peer reviewers, Russ Hall and Susan Squires, and the magic of the production team that transformed our words into print. Heartfelt thanks to Joyce Thomas and Jerry Travers, who can always be counted on to come up with great ideas and ways of expressing them. Many thanks to colleagues, Lynn Gerlach and Jeanne Harnois, for helping us translate our message from the theoretical to the timely and practical. And we thank Kyle Meyer and Karen McMahon for their helpful reviews of our manuscript.

Lois thanks Jamie, Evelyn, and the Baker family for their considerable help in the office and on the home front, and most of all, she extends loving gratitude to Noel who makes everything possible.

Karen thanks Joyce, Levi, Yvonne and Joshua, as well as countless friends, who provided never-ending encouragement and support.

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# ABOUT THE AUTHORS

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**A** former finance executive and now a sociologist, **Lois A. Vitt**, Ph.D. has been a life-long advocate of personal financial education. She began her career in mortgage finance and worked her way to top-level positions with major Wall Street firms. She also has helped inner-city, Native American, and Caribbean populations to access business and home ownership opportunities. She is founding director of the Institute for Socio-Financial Studies in Middleburg, Virginia, where she directs research and consults about consumer financial education that works. She directed *Personal Finance* and the *Rush to Competence: Financial Literacy Education in the U.S.* for the Fannie Mae Foundation and *Goodbye to Complacency: Financial Literacy Education in the U.S.* 2000-2005 for the AARP. She is Editor-in-Chief of the two-volume *Encyclopedia of Retirement and Finance*. Her most recent publication is *10 Secrets to Successful Home Buying and Selling: Using Your Housing Psychology to Make Smarter Decisions*.

Her insights in the field of financial literacy education are informed by her personal life as well as her professional and academic experience. She raised and educated six children as a single parent. As an only child herself, she was a caregiver to both of her parents during their later years. She has experienced the disappointment and pain of business failure and personal loss, from which she learned the lessons of how to recover and begin again.

**Karen L. Murrell** founded Higher Heights Consulting and Training, Inc. to improve financial well-being and increase asset building opportunities for lower income consumers. She has a long, successful track record in the development of corporate and community initiatives to improve the lives of underserved individuals and families nationwide.

Ms. Murrell brings unique leadership and hands-on experience in the housing and financial services industry to her work. Her expertise has helped corporate clients and other organizations build community relations, develop strategic financial education programs, and create

successful asset building initiatives. She also conducts train-the-trainer programs in these areas.

In the past, Ms. Murrell held leadership positions at Fannie Mae and the Fannie Mae Foundation where she helped launch initiatives that enabled millions of consumers to become homeowners. She developed financial education publications in nine languages and helped implement a public education advertising campaign in seven languages. Her work has involved building innovative key alliances with Fortune 500 companies, nonprofit organizations, financial institutions, faith-based institutions, and government agencies.

# Part I

## MAINTAINING A POSITIVE OUTLOOK

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# THE RIGHT STUFF

**E**very day you make financial choices. You buy morning coffee, take clothes to the cleaners, stock up on groceries, and get gas for the vehicle you drive. You might empty your pockets to give money to a child and then tap into an ATM to replenish your cash. On occasion you must cover the costs of an emergency. And once in a while, you make life-sized decisions—to change a job or career, move to a distant city, pay for education, or retire from the workforce. And all this in a constantly shifting societal environment!

Consider these recent challenges:

- Employers are terminating pensions for retirees and current workers at all levels. They are substituting 401(k) and 403(b) plans (you save your own money before any money is deposited by your employer) for traditional pensions (your employer deposited all the money in your account in exchange for years of work).
- Health benefits are continuing to cost more for employers, and these costs are increasingly being passed on to employees.
- Increasing numbers of Americans have no health insurance at all.
- Bankruptcy reform now limits a family's chances of starting over with a clean slate after a personal financial disaster.
- Political leaders talk about doing away with your all-important mortgage interest deduction.
- Politicians and lawmakers are proposing evermore "significant structural adjustments" to Social Security, Medicare, and Medicaid to deal with the nation's mounting budget deficit.<sup>1</sup>
- The IRS is more aggressively auditing individuals.<sup>2</sup>

In such a daunting environment, it is understandable that some people want to ignore the bigger picture. Others might claim that learning about financial management “is not their thing.” But it isn’t that easy; like it or not, we are already players in the financial game of life.

Consider all that you already know and grapple with on a daily basis:

You work and earn money, choose how you spend money, and borrow money each time you sign a credit card receipt. You make financial choices to save for emergencies and for your future security. Or perhaps you save little or nothing at all—letting life events “just happen,” and then feel indignant, guilty, or depressed when they do. Granted, you might not always understand the subtle intricacies of the general economy, the capital markets, the health care system, or the fine print in the contracts you sign. Neither do most people. You might hate tackling personal finances and find even talking about finances a passionate turn-off . . . but hold on! *There is a better way to think about personal finances.*

We can create a new model for living in the twenty-first century that shakes us from the complacency afflicting many in our nation today. And it starts with answering some big questions:

- What do I really value in life?
- What is my purpose?
- Am I living reactively or proactively?
- Am I honestly pleased with the way I am working to bring lasting benefits to myself and to those who depend on me?
- Do I “get involved” in the bigger picture and vote for responsible social and economic policies?
- Am I poised to achieve my biggest dreams?
- Am I even allowing myself to dream?

“The world makes way for the person who knows where he or she is going,” wrote Ralph Waldo Emerson, nineteenth-century poet and essayist. But you don’t have to go it alone. When it comes to finding your way on the road to financial security, you can look to another group for guidance, those who have achieved the status of living long, healthy lives. As we have discovered, whether you are on your way to a long and healthy life or to peace of mind and financial security, *the characteristics and habits of those who make it to their destinations are exactly the same.*

# Following in Their Footsteps

Several years ago, Drs. Margery Hutter Silver and Thomas T. Perls (now Director of the New England Centenarian Study) presented findings to a group of gerontologists on a study in progress of the “oldest old” Americans. Silver and Perls were trying to discover the secrets of longevity from men and women who had reached the age of 100 and beyond. The results were surprising. No particular food or habit could account for the good living enjoyed by this lively group for over a century.

What the centenarians all had in common, according to these researchers, were the following four character traits: (1) they had a positive outlook; (2) they were engaged and active; (3) they had a social support system; and (4) they could cope well with loss. The nation’s oldest old, it seems from these researchers’ report, possess the “right stuff” for living through both good and tough times. They are the Americans who lived through the Great Depression, fought in World War II, worked hard, and pursued their dreams, all the while improving the American way of life for following generations.

The **Personal Characteristics** they possessed are the same as those you will uncover in yourself as you take charge of your life, plan for your future, and become competent in managing your everyday finances. You too will need

- to maintain a positive outlook,
- to be engaged and active in your financial affairs,
- to reach out to others for advice, education, financial resources, and financial help, and
- to learn to cope well with loss when you must.

Think this will be too difficult? Think again. When the people we interview decide to take charge of their financial affairs, they all say the same thing, “Why didn’t I do this long ago?”<sup>3</sup> What most of them learned is that:

- You will naturally have a more **Positive Outlook** as you investigate what you really value, set goals, strategize, and periodically adjust your goals in anticipation of emerging trends and changing times.

In addition, you will find that as you learn and practice the basics, you will gain confidence and become encouraged to learn more.

- When you get more **Actively Involved** in your day-to-day finances, you will become curious and more aware of where your money actually goes. Soon enough and with less effort than you think, you will be engaged in planning your financial life—pro-actively.
- You will learn how to make wise saving, housing, and investment choices when you **Reach Out to Others** for strength, support, advice, education, and professional services. As you communicate more comfortably about your needs and preferences both at home and in the workplace, you'll find that caring people and financial resources are everywhere, and help to guide you along your way has never been more plentiful.
- The ability to **Plan for and Cope Well with Loss** can banish fear and help you recover quickly or change course in the face of adversity. No longer are you paralyzed when financial decisions must be made—you anticipate changes from time to time, and you go ahead and make them.

*You and Your Money* is more than a blueprint for building a secure financial future. It is also a powerful program to self-discovery. You can anticipate two results when you follow the steps we are suggesting: First, you will become a more aware and knowledgeable consumer as you practice the financial basics mindfully. Second, you will be on your way to a more personally fulfilling, happy, and secure life. During a recent financial education course attended by men and women in the Navy, these are the terms they used to describe “being in control of your financial life.”<sup>4</sup>

- Stress free
- High on life
- More confident
- More options
- Bigger savings account
- No fighting with your spouse
- No restless nights

# Tapping Into Your Own Life Values

Would it surprise you to know that marketers often know your financial triggers better than you do? Wouldn't you like to understand your own motivations at least that well and even much better than their superficial tracking has revealed about you?

In the next few chapters, we help you focus on what really matters in your life. The Life Values Profile, explained in Chapter 3, "How We Decide," and Chapter 4, "Your Life Values Profile," will help you learn to wisely navigate the purchasing and savings decisions you face daily. You will find yourself on your way to building financial security as you:

- Become aware of your Life Values so you can interpret your impulses and use your new understanding to make smarter choices.
- Learn that your best financial decisions are always comprised of (1) financial behaviors in sync with what you really care about in life and (2) your knowledge of the financial basics.
- Enhance your understanding of your partner's and other family members' Life Values to minimize conflict and maximize harmony in your day-to-day financial life.
- Realize that wise financial choices today will anchor your entire well-being and the well-being of your loved ones in the future.
- Make routine money management practices and life decisions that will help you achieve financial competence and true security—whatever life may throw your way.

## Getting Started

Financial competence is achieved by connecting the standards that guide you, the emotions that energize you, and the imagination that propels you so you will prosper *even when the future may seem uncertain*. In this book you will find guidance that we hope will help you become more at ease about managing money, skillful and confident about investing for your future, and surefooted in recovering quickly from any financial emergency. America is still a place where vision, dedication, and hard work can transform dreams into reality. Financial competence and savvy planning are essential tools for people who want to access opportunities and avoid pitfalls.

Think of it! Available books and magazines on money management, financial planning, and investing could fill a library. The Internet can provide you with thousands of answers, courses, self-help, and links to financial companies. Dozens of experts have written brilliantly about exactly how you should handle your money. We sorted through much of this advice to bring you the basics, and we have listed many resources in Chapter 19, “Finding the Help You Need,” and in the Appendix, “Personal Finance Education Internet Sites,” for you to check out for yourself.

We suggest five ways to interact with the information in this book: **ponder**, **daydream**, **experiment**, **practice**, and **plan**. The point of these processes is to help you *experience* the topics as well as read them. This is because real understanding happens, not only by reading about new ideas, but by “feeling” that they are particularly right for you.

#### *PONDER*

One expert family counselor, Rita Boothby, calls money “the root of all opportunity.”<sup>5</sup> Is this a new idea to you? It was to us. Ponder this: Many people have been contaminated by the myth that money is evil, but according to Rita, people who believe money is about opportunity are likely to buy what’s necessary and useful and leave the rest alone—*without guilt*. Some of their money circulates in the form of charity, and even if underpaid, they are likely to manage well and save what they can for the future. We marvel at the success stories of people from humble circumstances, but anyone—at any age or life stage—can develop the same habits and be successful as well.

As we present new ideas or what we believe are particularly valuable insights throughout this book, we collect them into “Points to Ponder” boxes. If you find them intriguing or important for your own situation, you might choose to close this book for a few moments to reflect on whether and how you can apply them to your particular life or financial situation.

#### *DAYDREAM*

Connecting with your dreams is necessary to release passion, have the energy to take on a task, and become excited about your goals. The key is

uncovering your *ideal* self—the person you would like to be or what you want to accomplish with your life. And that starts with daydreaming.

Ninety-six percent of us, according to Jerome L. Singer of Yale, report having daydreams. Because you are allowing images to flow through your mind constantly, why not let your images work for you? You must be able to picture success before you can succeed at something; you must be able to imagine living in your own home before you are motivated to go out and buy it. And you must be able to see yourself as competent at managing all the business details of your life before you will gain the courage to try.

Using daydreams, you can rehearse how you will ask your boss for a raise and imagine his or her response. You can rewrite a scene where you wish you had behaved differently and prepare for what you might say or do the next time. You can envision yourself and your partner actually enjoying the time you spend together paying bills each month instead of fighting over them—or worse, one of you ignoring the bills altogether.

Sometimes we ask you to experience images while you are reading. When that happens, be sure you are comfortable, sit back, relax, and let the daydream inside your head unfold before you. Trust the flow of the imagery—it can guide you through a full script with characters playing out a drama.

#### EXPERIMENT

You will find mental and written explorations and exercises as you move through this book. All of the experiments are grounded in two facts of life: As a human being, you are influenced by your emotions, and where money is concerned, certain feelings can cause you or anyone else trouble. You can learn a lot about yourself if you study your emotional responses. You can also take action to distance yourself from troublesome feelings without reacting to them or denying them either. Most importantly, emotions are contagious, and for better or for worse, we humans take our emotional cues from one another.

If you are unable to acknowledge your angry feelings over a perceived slight at the checkout counter, for example, you can set off a chain reaction of



negativity first to the checker, then to the next person in line, and on and on. However, those who have learned to recognize and confront such moments effectively won't let their distress impact someone else—and perhaps many others. Daniel Goleman, author of the bestselling book *Emotional Intelligence*, encourages leaders in many fields to take emotions “out of the closet” and acknowledge the importance of dealing with them.

Participating in the exercises in this book will expand your ability to integrate the material presented. They are intended to bring some of the subject matter to life as mini-projects. Some of them will surprise you, some will delight you, and others will allow you to take your own inner wisdom into the real world and try it out—to see what works and what doesn't work for you.

### PRACTICE

No task or skill becomes routine and feels easy until you've practiced doing it. Watch any child learning to hit a baseball; with instruction and plenty of practice, he will eventually hit a home run. Interestingly, where finances are concerned, our parents and grandparents may have had more opportunities to practice. Take *Hamilton's Essentials of Arithmetic*, a book written in 1920 for seventh and eighth graders, for example. Here is a sampling of the table of contents:

- Investing Money
- Insurance
- Stocks and Bonds
- The Family Budget
- Running an Automobile
- Mercantile (Consumer) Problems
- Doing Business with Banks

Immigrants in the early 1900s were also taught how to handle money. In 1910, a “Guide to the United States for the Italian Immigrant” taught newcomers how to find work, travel safely, become a citizen, and handle and manage money—“il dollaro.” For several months, a new arrival was visited twice a week and taught to practice “food preparation, buying . . . and discipline,” until she became precise in recording all her

expenditures, budgeting her resources, and laying a good financial foundation for her future life in America.<sup>6</sup>

As you read this book, you will find many pathways to laying a good foundation for your financial well-being and your ultimate peace of mind. As Italian newcomers learned nearly one hundred years ago, however, it takes practice.

### PLAN

A few of you might believe you are lucky just to make it through each day. You might typically *react* to the events in your life and believe it impossible to turn things around or design and implement a plan. However, every noteworthy accomplishment has a plan behind it. Letting life “just happen to you” may spice it up some, but having no plan at all is a recipe for trouble.

What if the Egyptians had winged it when building the pyramids? Or if the astronauts had known only generally where they were headed? Financial consumer advocate, Bill Bachrach, asks these questions in *Values-Based Financial Planning*. He reminds us that great feats are achieved only as a result of people knowing what they want and then creating a strategy based on what is important to them. Olympic athletes, concert musicians, scientists, writers, artists, Nobel Prize winners, and many others accomplish what they set out to do only through planning. From modest to complex, *all goals need planning in order for us to achieve them*.

Although we listed “Plan” last, it is the most crucial financial activity of all. Creating a plan for the goals you want to pursue in life—even if you change them frequently—just makes sense. Otherwise you might not find your way, or you might become so caught up in stressful situations that you fail to take advantage of the many opportunities all around you.

Good luck on your journey to financial competence. Since you have gotten this far, we know you have the Right Stuff to succeed in achieving the *New American Dream* of the twenty-first century, including the freedom and opportunity associated with America’s heritage, but based on a new sense of personal responsibility for designing a secure future.

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