

Contents at a Glance

<i>Introduction</i>	1
<i>Part I: Assessing Your Fitness and Setting Goals</i>	9
Chapter 1: Improving Your Financial Literacy	11
Chapter 2: Measuring Your Financial Health	23
Chapter 3: Determining Where Your Money Goes	43
Chapter 4: Establishing and Achieving Goals	55
<i>Part II: Saving More, Spending Less</i>	77
Chapter 5: Dealing with Debt	79
Chapter 6: Reducing Your Spending	97
Chapter 7: Taming Taxes	127
<i>Part III: Building Wealth with Wise Investing</i>	151
Chapter 8: Important Investment Concepts	153
Chapter 9: Understanding Your Investment Choices	181
Chapter 10: Investing in Mutual Funds	201
Chapter 11: Investing in Retirement Accounts	217
Chapter 12: Investing in Taxable Accounts	239
Chapter 13: Investing for Educational Expenses	253
Chapter 14: Investing in Real Estate: Your Home and Beyond	265
<i>Part IV: Insurance: Protecting What You've Got</i>	305
Chapter 15: Insurance: Getting What You Need at the Best Price	307
Chapter 16: Insurance on You: Life, Disability, and Health	325
Chapter 17: Covering Your Assets	349
<i>Part V: Where to Go for More Help</i>	363
Chapter 18: Working with Financial Planners	365
Chapter 19: Computer Money Management	385
Chapter 20: On Air and in Print	395
<i>Part VI: The Part of Tens</i>	403
Chapter 21: Survival Guide for Ten Life Changes	405
Chapter 22: Ten Tactics to Thwart Identity Theft and Fraud	419

<i>Glossary</i>	425
<i>Index</i>	441

Table of Contents

.....

<i>Introduction</i>	1
About This Book.....	2
Conventions Used in This Book	3
What You Don't Need to Read	3
Foolish Assumptions	4
How This Book Is Organized.....	4
Part I: Assessing Your Fitness and Setting Goals.....	4
Part II: Saving More, Spending Less	5
Part III: Building Wealth with Wise Investing	5
Part IV: Insurance: Protecting What You've Got.....	5
Part V: Where to Go for More Help	5
Part VI: The Part of Tens	6
Glossary.....	6
Icons Used in This Book.....	6
Where to Go from Here.....	7

Part I: Assessing Your Fitness and Setting Goals.....**9**

Chapter 1: Improving Your Financial Literacy**11**

Talking Money at Home.....	12
Picking Up on Personal Finance in the Classroom	13
Identifying Unreliable Sources of Information.....	14
Recognizing fake financial gurus	14
Understanding how undeserving investment gurus get popular	17
Pandering to advertisers	18
Jumping over Real and Imaginary Hurdles to Financial Success.....	19
Discovering what (or who) is holding you back	20
Developing good financial habits	21

Chapter 2: Measuring Your Financial Health**23**

Avoiding Common Money Mistakes	23
Determining Your Financial Net Worth.....	25
Adding up your financial assets	26
Subtracting your financial liabilities	26
Crunching your numbers	27
Interpreting your net worth results	28
Examining Your Credit Score and Reports.....	29
Understanding what your credit data includes and means.....	29
Obtaining your credit reports and score	30
Improving your credit reports and score.....	31
Getting credit report errors corrected	32

Knowing the Difference between Bad Debt and Good Debt	33
Consuming your way to bad debt	34
Recognizing bad debt overload	35
Assessing good debt: Can you get too much?	36
Playing the credit card float	37
Analyzing Your Savings	37
Evaluating Your Investment Knowledge	39
Assessing Your Insurance Savvy	40
Chapter 3: Determining Where Your Money Goes	43
Examining the Roots of Overspending	44
Access to credit	44
Misusing credit cards	44
Taking out car loans	45
Bending to outside influences and agendas	46
Spending to feel good	47
Analyzing Your Spending	47
Tracking spending the low-tech way	48
Tracking your spending on the computer	49
Chapter 4: Establishing and Achieving Goals	55
Creating Your Own Definition of “Wealth”	55
Acknowledging what money can’t buy	56
Managing the balancing act	57
Prioritizing Your Savings Goals	59
Knowing what’s most important to you	60
Valuing retirement accounts	60
Dealing with competing goals	61
Building Emergency Reserves	62
Saving to Buy a Home or Business	63
Funding Kids’ Educational Expenses	64
Saving for Big Purchases	64
Preparing for Retirement	65
Figuring what you need for retirement	66
Understanding retirement building blocks	68
Retirement planning worksheet	72
Making up for lost time	74
Part II: Saving More, Spending Less	77
Chapter 5: Dealing with Debt	79
Using Savings to Reduce Your Consumer Debt	80
Understanding how you gain	80
Discovering money to pay down consumer debts	81
Decreasing Debt When You Lack Savings	82
Reducing your credit card’s interest rate	82
Understanding all credit card terms and conditions	83

Cutting up your credit cards.....	83
Discovering debit cards: The best of both worlds.....	84
Turning to Credit Counseling Agencies.....	86
Beware biased advice at credit counseling agencies	86
Ask questions and avoid debt management programs	87
Filing Bankruptcy.....	88
Understanding bankruptcy benefits	89
Coming to terms with bankruptcy drawbacks	90
Deciphering the new bankruptcy laws	92
Choosing between Chapter 7 and 13	93
Seeking bankruptcy advice	93
Stopping the Spend-and-Consumer Debt Cycle	94
Resisting the credit temptation	94
Identifying and treating a compulsion.....	95
Chapter 6: Reducing Your Spending	97
Finding the Keys to Successful Spending.....	97
Living within your means	98
Looking for the best values.....	98
Eliminating the fat from your spending.....	102
Turning your back on consumer credit.....	103
Budgeting to Boost Your Savings.....	104
Reducing Your Spending: Eric's Strategies	105
Managing food costs	106
Saving on shelter	108
Cutting transportation costs	110
Lowering your energy costs.....	114
Controlling clothing costs	115
Repaying your debt.....	115
Indulging responsibly in fun and recreation	116
Lowering your phone bills	118
Technology: Spending wisely.....	119
Curtailing personal care costs.....	120
Paring down professional expenses	121
Looking for value in publication subscriptions.....	121
Managing medical expenses	122
Eliminating costly addictions	123
Keeping an eye on insurance premiums	124
Trimming your taxes.....	125
Chapter 7: Taming Taxes	127
Understanding the Taxes You Pay	127
Focusing on the total taxes you pay	128
Recognizing the importance of your marginal tax rate.....	128
Defining taxable income	130
Being mindful of the second tax system: Alternative minimum tax.....	130

Trimming Employment Income Taxes	131
Contributing to retirement plans	131
Shifting some income	132
Increasing Your Deductions	133
Choosing standard or itemized deductions	133
Purchasing real estate	135
Trading consumer debt for mortgage debt	135
Contributing to charities	136
Remembering auto registration fees and state insurance	137
Deducting miscellaneous expenses	137
Deducting self-employment expenses	138
Reducing Investment Income Taxes	140
Investing in tax-free money market funds and bonds	140
Selecting other tax-friendly investments	141
Making your profits long-term	142
Does funding retirement accounts still make sense?	142
Enlisting Education Tax Breaks	143
Getting Help from Tax Resources	144
IRS assistance	144
Preparation and advice guides	144
Software and Web sites	145
Professional hired help	145
Dealing with an Audit	147
Getting your act together	147
Surviving the day of reckoning	148

Part III: Building Wealth with Wise Investing 151

Chapter 8: Important Investment Concepts 153

Establishing Your Goals	153
Understanding the Primary Investments	154
Looking at lending investments	154
Exploring ownership investments	155
Shunning Gambling Instruments and Behaviors	156
Forsake futures, options, and other derivatives	157
Ditch daytrading	158
Understanding Investment Returns	158
Sizing Investment Risks	159
Comparing the risks of stocks and bonds	160
Focusing on the risks you can control	161
Discovering low-risk, high-return investments	161
Diversifying Your Investments	162
Spread the wealth: Asset allocation	164
Allocating money for the long term	165
Sticking with your allocations: Don't trade	166
Investing lump sums via dollar-cost averaging	167

Acknowledging Differences among Investment Firms169
 Focusing on the best firms169
 Places to consider avoiding171
 Seeing through Experts Who Predict the Future176
 Investment newsletters176
 Investment gurus.....177
 Leaving You with Some Final Advice179

Chapter 9: Understanding Your Investment Choices181

Slow and Steady Investments181
 Transaction/checking accounts182
 Savings accounts and money market funds.....182
 Bonds183
 Building Wealth with Ownership Vehicles185
 Stocks185
 Generating wealth with real estate190
 Investing in small business (and your career)195
 Off the Beaten Path: Investment Odds and Ends198
 Precious metals198
 Annuities.....199
 Collectibles.....199

Chapter 10: Investing in Mutual Funds201

Understanding the Benefits of Mutual Funds201
 Exploring Various Fund Types.....203
 Money market funds204
 Bond funds204
 Stock funds.....205
 Balancing bonds and stocks: Hybrid funds206
 U.S., international, and global funds206
 Index funds.....207
 Specialty (sector) funds208
 Selecting the Best Mutual Funds209
 Reading prospectuses and annual reports209
 Keeping costs low210
 Evaluating historic performance.....212
 Assessing fund manager and fund family reputations212
 Rating tax friendliness213
 Determining your needs and goals213
 Deciphering Your Fund’s Performance.....214
 Dividends.....215
 Capital gains.....215
 Share price changes216
 Evaluating and Selling Your Funds216

Chapter 11: Investing in Retirement Accounts217

Looking at Types of Retirement Accounts.....217
 Employer-sponsored plans218
 Self-employed plans221

Individual retirement accounts (IRAs)	223
Annuities: An odd investment	224
Allocating Your Money in Retirement Plans	226
Prioritizing retirement contributions	227
Setting up a retirement account	227
Allocating money when your employer selects the investment options.....	227
Allocating money in plans you design	231
Transferring Retirement Accounts	234
Transferring accounts you control	234
Moving money from an employer's plan	236
Chapter 12: Investing in Taxable Accounts	239
Getting Started	239
Paying off high-interest debt	240
Taking advantage of tax breaks	240
Understanding Taxes on Your Investments	241
Fortifying Your Emergency Reserves	242
Bank and credit union accounts.....	242
Money market mutual funds	242
Investing for the Longer Term (A Few Years or More).....	245
Defining your time horizons	246
Bonds and bond funds.....	247
Certificates of deposit (CDs).....	249
Stocks and stock funds	250
Annuities.....	250
Real estate.....	251
Small-business investments	251
Chapter 13: Investing for Educational Expenses	253
Figuring Out How the Financial Aid System Works	253
Treatment of retirement accounts	254
Treatment of money in the kids' names	255
Treatment of home equity and other assets.....	257
Strategizing to Pay for Educational Expenses	257
Estimating college costs	258
Setting realistic savings goals.....	258
Tips for getting loans, grants, and scholarships	259
Investing Educational Funds.....	261
Good investments: No-load mutual funds.....	261
Bad investments	262
Overlooked investments	262
Chapter 14: Investing in Real Estate: Your Home and Beyond	265
Deciding Whether to Buy or Rent	265
Assessing your timeline.....	266
Determining what you can afford.....	266

Calculating how much you can borrow.....	268
Comparing the costs of owning versus renting.....	268
Considering the long-term costs of renting.....	271
Recognizing advantages to renting.....	273
Financing Your Home.....	273
Understanding the two major types of mortgages.....	273
Choosing between fixed- and adjustable-rate mortgages.....	274
Shopping for fixed-rate mortgages.....	276
Inspecting adjustable-rate mortgages (ARMs).....	279
Avoiding the down-payment blues.....	282
Comparing 15-year and 30-year mortgages.....	284
Finding the best lender.....	285
Increasing your approval chances.....	287
Finding the Right Property.....	289
Condo, town house, co-op, or detached home?.....	289
Casting a broad net.....	290
Finding out actual sale prices.....	290
Researching the area.....	290
Working with Real Estate Agents.....	291
Recognizing conflicts of interest.....	291
Looking for the right qualities in real estate agents.....	293
Putting Your Deal Together.....	294
Negotiating 101.....	295
Inspecting before you buy.....	296
Remembering title insurance and escrow fees.....	297
After You Buy.....	298
Refinancing your mortgage.....	298
Mortgage life insurance.....	299
Is a reverse mortgage a good idea?.....	300
Selling your house.....	301

Part IV: Insurance: Protecting What You've Got.....305

Chapter 15: Insurance: Getting What You Need at the Best Price . . .307

Discovering My Three Laws of Buying Insurance.....	308
Law I: Insure for the big stuff; don't sweat the small stuff.....	308
Law II: Buy broad coverage.....	313
Law III: Shop around and buy direct.....	315
Dealing with Insurance Problems.....	318
Knowing what to do if you're denied coverage.....	318
Getting your due on claims.....	320

Chapter 16: Insurance on You: Life, Disability, and Health325

Providing for Your Loved Ones: Life Insurance.....	326
Determining how much life insurance to buy.....	326
Comparing term life insurance to cash value life insurance.....	328
Making your decision.....	331

Buying term insurance.....	332
Getting rid of cash value life insurance	333
Considering the purchase of cash value life insurance.....	334
Preparing for the Unpredictable: Disability Insurance.....	335
Deciding whether you need coverage	335
Determining how much disability insurance you need.....	336
Identifying other features you need in disability insurance	337
Deciding where to buy disability insurance	338
Getting the Care You Need: Health Insurance	339
Choosing the best health plan	339
Buying health insurance.....	342
Dealing with insurance denial.....	343
Looking at retiree medical care insurance.....	343
Chapter 17: Covering Your Assets	349
Insuring Where You Live	349
Dwelling coverage: The cost to rebuild.....	350
Personal property coverage: For your things.....	350
Liability insurance: Coverage for when others are harmed	351
Flood and earthquake insurance: Protection from Mother Nature.....	352
Deductibles: Your cost with a claim.....	353
Special discounts.....	353
Buying homeowner's or renter's insurance	353
Auto Insurance 101	354
Bodily injury/property damage liability	354
Uninsured or underinsured motorist liability	355
Deductibles	356
Special discounts.....	356
Little-stuff coverage to skip.....	357
Buying auto insurance	358
Protecting against Mega-Liability: Umbrella Insurance.....	358
You Can't Take It with You: Planning Your Estate	359
Wills, living wills, and medical powers of attorney.....	359
Avoiding probate through living trusts	360
Reducing estate taxes	361
Part V: Where to Go for More Help.....	363
Chapter 18: Working with Financial Planners	365
Surveying Your Financial Management Options	365
Doing nothing.....	365
Doing it yourself	366
Hiring financial help	367
Deciding Whether to Hire a Financial Planner	369
How a good financial advisor can help.....	369
Why advisors aren't for everyone.....	371

The Frustrations of Finding Good Financial Planners	371
Recognizing conflicts of interest	372
Regulatory problems	375
Finding a Good Financial Planner	376
Soliciting personal referrals	376
Seeking advisors through associations	376
Interviewing Financial Advisors: Asking the Right Questions.....	378
What percentage of your income comes from clients' fees versus commissions?	379
What percentage of fees paid by clients is for ongoing money management versus hourly financial planning?	380
What is your hourly fee?	380
Do you also perform tax or legal services?.....	380
What work and educational experience qualifies you to be a financial planner?.....	380
Have you ever sold limited partnerships? Options? Futures? Commodities?.....	381
Do you carry liability (errors and omissions) insurance?	381
Can you provide references from clients with needs similar to mine?.....	382
Will you provide specific strategies and product recommend- ations that I can implement on my own if I choose?	382
How is implementation handled?.....	382
Learning from Others' Mistakes	383
Chapter 19: Computer Money Management	385
Surveying Software and Web Sites	385
Adding up financial software benefits	386
Treading carefully on the Web	386
Accomplishing Computer Money Tasks.....	388
Paying your bills and tracking your money	389
Planning for retirement.....	390
Preparing your taxes.....	390
Researching investments	391
Trading online.....	391
Reading and searching periodicals	392
Buying life insurance.....	392
Preparing legal documents	393
Chapter 20: On Air and in Print	395
Observing the Mass Media	395
Alarming or informing us?.....	395
Teaching what kind of values?.....	396
Worshipping prognosticating pundits	397
Rating Radio and Television Financial Programs	397
Finding the Best Web Sites.....	398
Navigating Newspapers and Magazines	398

Betting on Books	399
Understanding the book publishing business	400
Books at the head of their class	401
<i>Part VI: The Part of Tens</i>	403
Chapter 21: Survival Guide for Ten Life Changes	405
Starting Out: Your First Job	406
Changing Jobs or Careers	407
Getting Married	408
Buying a Home.....	409
Having Children	410
Starting a Small Business	412
Caring for Aging Parents	413
Divorcing	414
Receiving a Windfall.....	415
Retiring	417
Chapter 22: Ten Tactics to Thwart Identity Theft and Fraud	419
Save Phone Discussions for Friends Only.....	420
Never Respond to E-mails Soliciting Information	420
Review Your Monthly Financial Statements	421
Secure All Receipts	421
Close Unnecessary Credit Accounts	421
Regularly Review Your Credit Reports	422
Freeze Your Credit Reports.....	422
Keep Personal Information off Your Checks	423
Protect Your Computer and Files	423
Protect Your Mail	423
<i>Glossary</i>	425
<i>Index</i>.....	441