Your Money or Your Life Study Guide

Your Money or Your Life by Joe Dominguez

Contents

Your Money or Your Life Study Guide....1

Contents....2

Plot Summary....3

Chapter 1....5

Chapter 2....8

Chapter 3....11

Chapter 4....14

Chapter 5....16

Chapter 6....19

Chapter 7....24

Chapter 8....26

Chapter 9....28

Characters....30

Objects/Places....36

Themes....39

Style....41

Quotes....43

Topics for Discussion....45

Plot Summary

Your Money or Your Life: Transforming Your Relationship with Money and Achieving Financial Independence is a systematic guide to achieving financial independence, just as the subtitle explains. In this book, the authors present a nine-step process for achieving financial independence. Although the book is over 300 pages long, the actual steps in the process of achieving financial dependence are very simple. Indeed, they are summarized in the epilogue in fewer than nine pages. The rest of the book is necessary, however, because it places the nine steps in context. Much of the book is simply about convincing the reader that the steps will work and explaining why it is important for the reader to complete each and every step without skipping any of them.

According to the book, there are nine steps to achieve financial independence. First, the program participant figures out how much money they have earned during their lifetime and how much their current net worth is. Then they figure out how much time and money they are really spending right now on their job in order to figure out their real current hourly wage and keep track of every bit of money down to the penny that comes into their life or goes out of their life. After that, they create a table of income and expenses and convert the money they spend into hours of life energy spent to figure out where their money is really going and how much it is really costing them. Using this information, they ask three questions about everything they spend money on. First, they ask whether it was worth the amount of life energy they spent. Then they question whether the expenditure is in alignment with their goals and the purpose of their life. Finally, they determine if this expense could change if they did not have to work for a living, and if so, how much.

After that, they make a wall chart that shows their total monthly income and expenses, and post it where they will see it often. Now that they have an accurate system for keeping track of their finances, they are ready to minimize their spending and maximize their income. After a few months of keeping track of their finances this way, their expenses will probably go down far below their income and they will have extra money left at the end of the month. They can use this money as capital and invest it. They can keep track of the income from their investments on the same wall chart. Using the wall chart, they can figure out when they will have enough capital invested to be able to live off from the interest. They can then invest their capital in a safe, systematic way until they have enough income from it to pay their expenses. At that point, they are financially independent.

Even though the book breaks this process up into nine steps, it can be summarized more quickly in five steps:

1. Become very conscious of how money is spent.

2. Minimize spending.

3. Increase income.

4. Pay off debts and save for "emergencies."

5. Invest excess money.

6. Eventually retire.

Chapter 1

Chapter 1 Summary and Analysis

Chapter 1 examines problems with how people usually manage their money, and then presents Step 1 of the process leading to financial independence. There are problems with "business as usual." Although most people claim that they value their lives more than their money, their actions speak louder than their words. Many spend so much time at work that they have little time to spend with their family and their friends. People give up working on their hobbies and their dreams because they are "too busy" working. They give up on their dreams because they realize that they cannot find a real job making a living off from that about which they are passionate. Despite what they have been told by their parents and their guidance counselors, they cannot necessarily "be anything they want to be." Some of they have gotten their "dream job" only to find that it is not nearly as wonderful as they had hoped. They have rules and restrictions that they were not expecting. They have to answer to an unreasonable boss or work on tedious tasks when they would like to be working on something more meaningful. Their organization might not be practicing what they preach.

Some people at the top of their profession are making good money, and they have the home and car they always dreamed of having. Yet when they reach success, they wonder why they are still not happy. They feel like something is missing. Some others work only 8 hours a day, but they work so hard at work that when they get home, they are too tired or stressed to do anything fun, and they feel as if they need to "decompress." They get crabby and yell at their mates, children, friends, or neighbors. They feel like there should be something more to life. Even a typical 40-hour-a-week job can take a lot more out of people than they expect, and earning a lot does not necessarily make them happy. Americans are working more hours than ever before, and they have little or nothing to show for it. On average they have more debt than ever before and fewer savings than ever before.They work all week so they can "live it up" on the weekend, spending money like crazy.

Most people believe that having more money will bring them happiness. Yet almost all people say that they are not happy, no matter how much money they have. More money probably does not bring happiness, after all. On average, Americans are some of the richest people on earth, yet they are not necessarily happy, and they work like crazy.

What is worse is that every product people buy comes from the earth one way or another, and most of it ends up in a landfill. The result of so many people buying so much stuff is that it is ruining the environment. It pollutes the air and water and fills up the landfills. It tears down trees and strip-mines the land, destroys entire ecosystems, and depletes the soil. Ultimately, it may drastically affect the global climate.

Why do people buy so much stuff? It is a survival instinct. Why do people ignore the problems that materialism causes? It is a long-term threat, and people do not do as well at fighting long-term threats as they do with immediate threats. Let people see a tiger about to eat them, and they will run. Let them see a problem developing over many years, though, and they will not act to solve the problem until perhaps it is too late. Many people believe that more is better. If more is better, however, then one can never have enough, and one can never be happy. Each thing a person buys might make them happy for a very short time. Eventually, though, the feeling will pass, and then they will feel "empty" again.

In America, one of the main economic principles most businesses follow is that "growth is good." They grow even when there is no need to. They grow even when people already have enough. They grow even when it is obviously causing serious problems with the planet. The population is growing, too. The growing population means that there must be more jobs. So that means businesses must grow. The problem, of course, is that the economy cannot grow forever. There are only so many resources in the earth. Eventually those resources will run out.

Americans constantly see and hear advertisements that teach them to consume, consume, and consume some more. This teaches them that no matter what the problem is, spending money will help solve it. They also learn that having leisure time is bad. It is supposedly a sin to just sit around and enjoy life. The sin is laziness or "sloth." That comes from the protestant work ethic, which teaches them to work as much as possible. Then, in their spare time, they spend money for fun.

That is where the rat race comes from. Americans feel like they have to have lots of money to spend, so they spend about half of their time working and the other half spending, rushing around from activity to activity. They spend very little time just relaxing or enjoying the friends, family, and possessions they already have. They are taught that it is right to buy, and that they have the right to buy. Yet they feel stressed out, anxious, or depressed much of the time. What is even worse is that these buying habits are not just causing problems for the people who do the buying. They are causing problems for the planet, too.

More is not necessarily better. People must have enough to meet their basic physical needs. These are the bare necessities. They can have a little extra above that to buy things that they really enjoy. These are called comforts. They might even want a few luxuries that they feel are worth their time and trouble. Anything they spend beyond that, however, will just fill their lives up with clutter and cause them to work a lot for something that does not really help them feel fulfilled. The amount they can spend where they feel like they have just enough and are happiest is called the peak of their fulfillment curve. If they have any less, they feel like they do not have enough. Any more, and they will have "too much" and be unnecessarily stressed out.

Most Americans have excessive clutter in their lives. They have drawers and closets and garages and basements filled with things they almost never use. They have files filled with things they do not need. They have regular appointments and activities that they do not enjoy. They have constant noise from radios and the TVs that they do not listen to. They have tons of extra stuff they keep around "just in case." They run extra errands just to fill up their days. All of these "extras" take up their time and energy and make it difficult for them to focus on what is important to them and on what they really enjoy. As people follow the steps in the financial independence program, they tend to get rid of much of the clutter in their lives.

Step 1 of the program is divided into two parts. The first part of Step 1 is for the reader to figure out how much money they have ever made. That includes every penny they have ever taken in, including money they may have made under the table as a child, money they found, money they won, and money they stole. The main purpose of this is to help them feel capable of earning more.

The second part of Step 1 is for the reader to figure out their net worth. This means that they add together everything they own, and then subtract everything they owe. To figure out how much they own, they go through their belongings one by one and estimate how much they could sell them for, then add them all together, and add that to their other assets such as cash in the bank or investments.

Some people might start to feel a little guilty when they see how much they owe or how little they have earned. Others might try to figure out who caused their financial problems. The authors, however, want the readers to carry an attitude of "no shame, no blame" during this program. In other words, they do not want the reader to feel guilty about the present or the past or to blame their problems on somebody else.

Chapter 2

Chapter 2 Summary and Analysis

Chapter 2 starts by contemplating what money really is. Money is not just currency such as the coins and dollar bills in a safe. Currency has no intrinsic value. It cannot be eaten, worn, or lived in. So money must be something else.

The chapter continues by discussing four perspectives of money. These four perspectives cover methods of handling money, psychological reactions evoked by money, culturally based theories of money trends, and personal responsibility and transformation with respect to money.

In the physical perspective of money, people earn money, save money, and spend money. Anything having to do with managing money is in this realm, including getting a job, balancing a bank account, investing, getting a mortgage, paying bills, buying insurance, comparison-shopping, using credit cards, and filing for bankruptcy.

The emotional and psychological perspective of money includes the reader's values, beliefs, and emotions related to money. Their attitude toward making money, buying groceries, and paying bills is in this realm, as are their other emotional decisions connected to money, such as deciding what things are worth spending money on, their general tendency to spend quickly or cautiously, and their tendency to feel fear when investing. Also in this realm are feelings of being powerful or helpless when dealing with money, or feeling secure, insecure, powerful, or weak due to money. These feelings may cause tendencies such as showing off with money or being stingy. The "snob" appeal of money falls in this realm, and is related to feeling connected to a social class, feeling socially accepted or unaccepted due to income, feeling like having money is evil, or trying to "keep up with the neighbors."

The third perspective is the cultural realm of money. This realm includes major cultural fears about money, such as fear of inflation, increased cost of living, recession, and depression. These fears frighten people into believing that "growth is good" and "more is better," which causes people to buy and earn more than they need to live at the peak of their fulfillment curve.

The final perspective is one of personal responsibility and transformation. In this realm lies the reader's realization that they can step outside of all of these assumptions about money and choose to run their life their own way and manage their money however they choose. The main basis for this realm is the theory that people trade their life energy for money. Each person has only a certain number of hours left to live, and therefore has only a limited amount of life energy left. Every time they spend money, they are spending something that they already traded their life energy for.

If people spend half of their time sleeping, eating, and doing those things that are necessary to maintain their body, then they have the other half available to do whatever they choose, including things like working, spending time with their family, playing, achieving inner peace, or making a contribution to the world somehow. In order to be financially independent, somebody must have enough, and then some extra. To do that, they must be able to let go of what they have learned about money from the first three perspectives, and begin looking at money completely differently, trying something new.

In Step 2, the reader is supposed to track their life energy by figuring out how much they are really making per hour, and then develop a habit of keeping track of every penny that comes into or goes out of their life. To figure out how much they are really making per hour, they have to take into consideration many things, including some that they probably did not previously think of as being related to work. The most obvious include money and time spent on traveling to and from work, dressing for work and for work-related events, meals at work, and day-care expenses. Some others that are probably familiar because they are usually tax-deductible include work-related expenses for educational programs, books, tools, conferences, and business travel.

There are other expenses that people often forget to include, though, that are related to having a job. These include costs for job hunting, long distance phone calls related to work. There are also many costs that most people do not realize are related to their jobs. These are things like buying expensive convenience foods or eating out for dinner because they are too tired to make dinner. Another example is paying servants and workers because they do not have time to do things such as cleaning and repairs themselves. Often when people work, they feel stressed out and feel the need to escape from reality. Many of their entertainment expenses would probably go away if they did not have to work. Expenses such as having a few drinks in the evening, going out to bars, going to vacations at exotic places, and buying expensive playthings usually go down considerably after retirement because people don't feel the need to release so much stress. Finally, people get sick more often when they feel significant stress. Therefore, job-related illnesses should be added to their list of work-related expenses, too.

After the reader figures up how many hours a week on average they really spend on this, they will get the real number of hours they work. Then they can total up all their real work-related expenses and subtract those from their wages to get the amount they really make. To find their real hourly wage, they just divide their real pay by their real hours worked. Most of the time, the number they get can be much lower than they expected. This number represents what they are really getting for one hour of their life energy. Knowing this can help them rethink their job and decide whether they should switch to a new job or not. Sometimes a job making a lower wage will actually help them save money, so they will ultimately be making more for each hour of life energy they spend.

The second half of Step 2 is for the reader to keep meticulous track of every cent that comes into or goes out of their life. The reader can keep track of this is any manner he or she chooses, but the records must be kept accurately, down to the penny. Therefore, the most important attitudes to keep during this step are not to allow any leeway in keeping records, and not to feel any shame or place any blame on anyone for previous spending habits.

Chapter 3

Chapter 3 Summary and Analysis

Chapter 3 covers Step 3. Step 3 is dividing income and expenses into categories and charting them, then determining how much any expenses really mean in terms of hours of life energy spent.

At the beginning of the Chapter 3, the authors warn against budgeting. They compare budgeting to dieting because both overeating and overspending can be addictions and both dieters and budgeters feel like they are giving up something they love. The purpose of the program in this book is to minimize spending not through budgeting but rather through helping the reader increase their awareness of how they are spending their money and exactly how much life energy it has taken them to pay for each expense. Throughout this process, the authors once again urge the reader to place no blame and feel no shame.

When the reader becomes completely aware of just how much life energy it takes to buy some of the things they have been buying, they often end up deciding that some of the things they have been spending money on just are not worth the amount of life energy they have been spending. Thus, they minimize spending. Full consciousness is the key to both a good diet and good spending habits. On a "consciousness" diet, the dieter pays attention to their body and eats only when they are hungry. They are aware of every bite they take and they stop eating when they are full. Similarly, when a person becomes aware of what they are spending, they spend only until they are fulfilled, then they stop. They determine for themselves how much is enough and what makes them feel fulfilled. There is no need for shame, and no need for blame.

Once the reader has been keeping track of all the money in their life, they begin Step 3. To start Step 3, they need to look at what they really spend and the money they really get and make up categories that make sense for their own spending. The key here is that it has to make sense for them. Each person has different spending habits. The pre-made income and expense categories that are in most budgeting books will not work exactly right for most people. They may have categories the reader does not need, they may be missing many categories the reader needs, and they may have certain categories that the reader needs to break up into several smaller categories. The authors of the book suggest that each person make up their own categories. They give many examples of categories that the program participant might use.

Although some program participants might choose to use traditional broad categories such as food, shelter, utilities, clothing, transportation, communication, and health, the authors feel it is often more useful to use more specific categories. For example, food might be broken down into categories such as groceries for at home basic meals, groceries for snacks for home, eating out, fast food, food at work (basic meals), food at work (snacks), garden supplies, and health foods. Instead of using the broad category "shelter," the reader could use smaller categories such as mortgage payment, motel, home repairs, remodeling, property taxes, etc. Although the reader could lump utilities into one category, it might make more sense to keep track of them separately, instead, with categories such electric, firewood, propane, charcoal, coal, water, sewer, phone, and garbage. Household maintenance could be subdivided into cleaning supplies, laundry services, dry cleaning, repairs, yard and garden expenses, tools bought for household projects, kitchen supplies, maids, law mowing, plumber, etc. Clothing might be broken down into smaller categories to help the reader keep track of what clothes are informal, which ones are for work, which ones are for sports, etc. The authors point out that many people buy clothes or shoes out of boredom or to make themselves feel temporarily happy, wear them one time, and then they never wear them again.

Another category that could benefit from being broken up is transportation. The reader could use subcategories for money spent on: commuting; gas, oil, or repairs for automobiles; car insurance; can inspection; car registration; driver's license fees; public transportation; car rental; planes; trains; buses; car payments; tolls; and parking fees. Instead of keeping one broad communication category, the "phone" bill could be further broken down, and there might be categories for postage, faxes, modems, and email. In order to keep track of money spent on health, the reader could make categories for sickness, wellness, doctor bills, dental, insurance, vitamins, gym membership, braces, and/or eyeglasses. Recreational expenses might include separate categories for alcohol, tobacco, recreational drugs, movies, music, toys, hobbies, sports, computer equipment, books, retreats, and electronic equipment.

Other, smaller expenses are often overlooked and lumped into the "miscellaneous" category. It could be to the reader's benefit to keep more careful track of these expenses. Gifts and donations could be kept track of separately, with categories such as tithing, gifts to friends/family, contributions to charities, and handouts to panhandlers. Interest and bank charges could possibly broken down into smaller categories like credit card annual fees, mortgage interest, checking account charges, late payment charges, and state and federal income taxes. Lost money, stolen money, lottery ticket, missing money that cannot be accounted for in records, money lost in vending machines, and lent money could each have their own category. The authors suggest a special category for "gazingus pins," which can be any items that the reader seems to have an unreasonable amount of because they have had the habit of shopping for them.

Breaking up income and savings into separate categories can be useful, too. Income might possibly be divided up into one or more of the following: wages; salary; tips; money found; loans repaid to the reader; inheritances; gifts; savings account interest; interest on investments; dividends; income tax refunds; bonuses; rebates; refunds; money made from a garage sale; money made from selling arts and crafts; cash prizes; and winnings from gambling. Savings could be divided into two or more of the following: bank savings account; piggybank; cookie jar; bonds; and certificates of deposit.

These are just a sample of the longer list of categories that the authors include in the book. The authors stress that these are just examples of categories that the reader can use. The reader should divide their income and expenses up into categories that make sense for them. The point is for the reader to be as truthful as possible so they can understand exactly how they are spending their money and can judge whether their expenses are worth the life energy they are spending.

At the end of each month, the reader should total their income and their expenses. They should subtract expenses from income to find out how much, if anything, they have saved. If they have been keeping perfect records, then the amount they started with at the beginning of the month, plus their total income, minus their total expenses, should equal the amount of money they have left. When the reader is finally able to do this without finding a discrepancy, then they will have mastered Step 3.

The final part of Step 3 is figuring out how much life energy went into each expenditure. To do this, the reader takes the amount spent, divides it by the real hourly wage, and comes up with a number. This number represents the REAL amount of life energy spent. It represents the real number of hours of the reader's life that they used up in order to be able to buy what they bought. The reader should make a record of their income and individual expenditures for the month, and they should add an extra column where they can write the number of hours of life energy they spent on each purchase.

Chapter 3 gives several examples of how certain program participants, both single people and couples, set up their own income and expenses categories and charts. These examples are not meant as strict guides. They are only meant for the reader to use for inspiration when designing their own income and expense categories and chart.

Chapter 4

Chapter 4 Summary and Analysis

Chapter 4 is about figuring out what is fulfilling. In order to do this, the reader does Step 4, which is to ask three questions. The reader is to ask these questions about every expense on their chart:

1. "Did I receive fulfillment, satisfaction, and value in proportion to life energy spent?"

2. "Is this expenditure of life energy in alignment with my values and life purpose?"

3. "How might this expenditure change if I did not have to work for a living?"

Chapter 4 begins with discussing dreams. Many people have dreams early in life that they eventually give up on because, in the end, the dreams are not "practical" and they just do not fit in with reality. The reader's dreams are good clues to what the readers really values, purpose, and life mission are.

With the question "Did I receive fulfillment, satisfaction, and value in proportion to life energy spent?", the reader begins to figure out whether each expenditure was worth what they spent. This question gets its own column on their monthly expense/income chart. They can respond to the question about each expense by placing a plus sign there if they felt it was "worth the life energy they spent and feel that they should increase spending on this category next time. If the reader feels like they have spent just enough on that category, then they put a zero in that column. Everything is fine. If they feel like they have spent too much on that category and it was not worth the life energy they spent, they place a minus sign there. This helps them figure out how they could increase or decrease spending to begin to feel more fulfilled.

After that, the reader moves on to the second question, which is designed to help them figure out if what they are buying is in line with what they value and believe is important in life. They ask, "Is this expenditure of life energy in alignment with my values and life purpose?" Of course, before they answer this question, they have to actually figure out what their values and life purpose are. That takes some thinking. Values come from beliefs. To find out what they value, the reader can ask, "What would I do if I did not have to work for a living? What have I done that I am proud of? If I knew I only had one year left to live, how would I spend my last year?" This might help the reader sort out what is truly valuable to them.

The reader can also figure out what their real purpose in life is. They may not have a purpose yet, but sometimes just asking a person what their purpose is can cause them to reach for one. If the reader does not know their purpose or their mission in life, they might figure it out by thinking of how they can work with something about which they are passionate. Another option would be for them to ask themselves how they can help others avoid the same pain they have felt. For example, if they were ever the victim of a hate crime, they might choose to volunteer with a group that seeks to spread tolerance. They can also choose to simply work with what is at hand and do what they can do for others right where they are at right now. They can do what needs to be done around them.

In most cases, a person's purpose is to make some sort of real contribution to the world. The authors feel that once people have "enough," then contributing through money, energy, or time makes the difference between a good life and a great life. Question 2 therefore helps the reader figure out how well they are doing at moving towards their purpose. They ask themselves whether an expenditure is in alignment with their values and purpose. When the answer is "no," then the reader can either change their actions to align with their values or they can change their values to align with their actions.

Question 3 is, "How might this expenditure change if I did not have to work for a living?" Asking this question about every expenditure gets the person thinking about what it would be like to be retired. In most cases, their expenses would go down after they quit working for money. They would probably be able to eat more cheaply because they could eat more home-cooked meals. They would feel less need for elaborate vacations. They would be less stressed out, so they would drink less and feel less need to go out of their way for recreation. They would not need to spend money on work clothes, either. Another expense that might go down after retirement is the amount the reader pays other people to do things for them. If they had ample time, they would probably be able to learn how to do their own house repairs and car repairs, and then they would do those repairs. That could save the reader a lot of money. They could save money, too, by doing their own cooking and cleaning. Having a record of how much they think their expenses would go down after they stop working is important for another reason, too. Eventually, they will stop working. Then their expenses will be at that new level.

The reader sets up another column for Question 3, and enters a plus, sign, minus sign, or zero, according to whether his or her expenses in each category would go up after financial independence, go down after financial independence, or stay the same. The authors describe Step 4 as being the "heart of the program." Asking these three questions allows the reader to know not only to minimize their expenses, but also to develop a purpose for their life, if they have not already found one, and helps them keep their money management in alignment with their life purpose. This can make every expenditure in their life more fulfilling, because they will eventually know that no matter what they have decided to spend money on, it is in alignment with their life values and life purpose. Once again, the authors emphasize that there should be no shame or blame in taking this step toward financial independence.

The authors believe that this step will allow people to align their expenditures and actions with their true values. This will also have other benefits, such as having a more positive impact on the planet, helping people to reconnect with their communities, and helping people reconnect with their spirituality. All people are free to enjoy their planet, their community, and their spirituality, and living frugally does not change that. In fact, it allows people to enjoy these things more, not less.

Chapter 5

Chapter 5 Summary and Analysis

Chapter 5 covers Step 5 in the program. Step 5 is to make a wall chart that plots the reader's income and expenses each month. The authors encourage the reader to put this chart up on the wall where the reader can see it easily, instead of in a closet or some place else that is not as easy to see. The purpose of the wall chart is to keep the reader's finances on their mind, so that they will make more conscious choices when they spend money.

There is another advantage to the wall chart. With the wall chart in easy view, the reader can see the progress that they are making toward financial independence each month. According to the authors, for many people, the process of achieving financial independence using this program might only take 5 to 7 years. Therefore, the wall chart only needs to be wide enough to cover 5 to 7 years of plotting.

The authors suggest using a piece of paper that is 18 to 24 inches tall and 22 to 36 inches wide. The reader can use graph paper; but if there is none available, then they can use regular paper and just draw the lines on there with a pen or marker. They will need to draw about 10 squares to the inch. On the x-axis going across the bottom of the paper, they can write one initial every other square representing the months of the year. Those initials would be "J F M A M J J A S O N D." Then they would repeat writing that until they ran out of squares. Going up the left side of the paper on the y-axis, they should write numbers that will represent their income each month. They would start at zero at the bottom and then increase in $100 or $200 increments until they reach the top. The top number should be at least twice as large as the top amount they expect to be making. This is because most of the people who use the program end up making much more than they expect to at the beginning. The larger of the two figures of income and expenses for the current month should fall about halfway up the left side of the page.

Now all the reader needs to do is find their total expenses for the month and plot that on the chart. Then they need to find their total income for the month and plot that on the chart. They need to do this every month. They should draw a line connecting the previous month's income to the current month's income, and they should draw a line connecting the previous month's expenses to this month's expenses. This will make it obvious to them whether their income and expenses have gone up or down.

Sometimes when people first start using the wall chart, they feel shocked to realize that their income for the month was actually lower than their expenses for the month were. That is "normal" in America, where most people use credit cards to buy things that they cannot afford and things that they do not need. Once people see the wall chart staring them right in the face day after day, they usually begin to just naturally stop spending money on things that they do not really want or need all that badly after all.

Often, when people first start using the wall chart, they are so shocked at their spending habits that they stop buying any extras altogether. They might do that for a month or two, but then after a while they just do not like living that way, so they go back to their old habits. A better method is to use the three questions discussed in the previous chapter. The three questions help people focus on what is important to them. If one of their expenditures really does bring them lasting fulfillment, then of course they would not want to get rid of it. By focusing on those three questions, they know what expenses to get rid of and which ones to keep in order to have the most fulfilled life possible. That will help them almost automatically begin spending less, and the results will show on the wall chart. Over time, most people who use the program see their expenses drop sharply at first and then drop steadily over time until they level out at a "reasonable" level.

Of course, there are always unusual expenses that pop up here and there. There can be a doctor's bill this month, an insurance bill next month, a house repair here, a birthday party there. The authors encourage the reader to accept these "extra" expenses as a normal part of financial life and just pay for them with cash rather than fretting about them or putting them on a credit card. Just about every month ends up having unusual expenses, so they more or less even out over time.

Another way to deal with extra expenses is to anticipate them as often as possible and prorate them to spread the expense out over several months. For example, most people know approximately how much their car insurance payment will be for the year. Instead of paying the whole payment in one lump sum, they might spread expense of the payments out over a year. The same approach can be used for other insurance payments, income tax payments, etc. It is up to the reader to choose whichever way works best for him or her, though.

One of the natural results of having expenses lower than income for several months is that the reader can eventually get out of debt. The authors encourage the reader to get out of debt as quickly as possible because the interest that the reader has to pay on debt is expensive. It is wasted money. For the same reason, the authors encourage the reader not to incur any new debts. They encourage the reader instead to save up and pay cash for anything they need or want. For many people, it feels better to be able to say, "I do not owe anything to anyone," than to buy expensive baubles and vacations with plastic.

Being financially independent means having no debt, and it also means having savings. So after paying off debt, the reader's next step is to save up a "cushion" of money for a rainy day. More specifically, the authors expect the reader to save up enough money to be able to pay for 6 months' worth of expenses in case of unemployment. This is a very important part of the program, but many people believe at first that they can skip this step.

There are definite advantages to having this much money saved in the bank. Most people in America are just two paychecks away from homelessness. That means that if they were to miss two paychecks in a row, they might lose their home. This is a constant stress, and it keeps people clinging to jobs and situations that really are not good for them. When the reader has enough savings to cover their expenses for 6 months, they definitely feel freer. All kinds of possibilities open up. If they lose their job, instead of scrambling to grab the first job they can find out of desperation, they can take their time to find a job that fits them well, pays well, and has good benefits. They could also have the freedom to take a few weeks off instead for leisure or fun before they go back to work. They could take some time to do some of the projects they have always wanted to do, but were too tired or too busy to do before.

The wall chart helps remind the reader to pay attention to finances and gives them constant feedback on how well they are doing. It inspires them to do even better and motivates them to be frugal. When the reader puts the wall chart somewhere where other people such as their family, friends, and neighbors can see it when they are in the reader's home, it makes these people aware of the project, too, so they can learn about the reader's goals and help support the reader with their interest and participation.

Chapter 6

Chapter 6 Summary and Analysis

Chapter 6 is about being frugal and minimizing spending. First, the chapter discusses what frugality is, and then it presents Step 6 of the program. Step 6 is to minimize spending. Although the authors enjoy being frugal and encourage the reader to be frugal, they realize that the word "frugal" has a bad connotation, and that most Americans think of being frugal as a bad thing, like penny-pinching, being cheap, or being a miser. The authors like the Spanish term "aprovechar" better, which means "to really get full use and full enjoyment out of something." To get full use or full enjoyment out of something, the reader does not necessarily have to own it. The reader could fully enjoy a sunny day or the smell of wildflowers, for example.

According to the authors, that is what being frugal is all about. It means the reader enjoys everything they have completely. The authors define being frugal as "having a high joy-to-stuff ratio." A frugal person might fully enjoy 10 pairs of shoes by wearing them for 30 years. Another less frugal person might buy 10 pairs of shoes a year and never wear most of them.

The authors offer tips on becoming frugal. They do this in five sections. They first offer "One Sure Way to Save Money," and then "10 Sure Ways to Save Money," and then "101 Sure Ways to Save Money," and then two short sections they call "1,001 Sure Ways to Save Money," and "1,000,001 Sure Ways to Save Money." Here are the tips they offer:

ONE SURE WAY TO SAVE MONEY

Stop trying to impress other people. The authors feel that trying to impress others is futile because most of the time, people do not notice efforts to impress them; and if they do notice it, they sometimes feel like the person doing it is gaining an advantage over them. The authors single this out as their first tip, so they probably feel this is the most important tip for saving money in this chapter. That is probably because so much of what people spend money on is for trying to fit in.

10 SURE WAYS TO SAVE MONEY

In this section, the authors give the reader ten examples of ways that they may save money. Most of them are common sense, but most people can stand reminders of them. Here are a few of them. First, avoid shopping. Many people treat shopping as a hobby. There are cheaper hobbies. To keep from shopping too much, the reader can combine trips and only go shopping once every 7 to 10 days. In addition, expenses should always be lower than earnings. That means not going into debt for anything. Taking care of possessions is another money-saving strategy. For example, the reader can take care of their house, car, teeth, and health so they will not have to spend extra money fixing them later on. Wearing things out saves money, too. Most of the things Americans discard are not worn out. By keeping items and using them until they are not usable any more, most people could add an extra twenty to fifty percent to the lifetime of objects such as tennis shoes, coats, and televisions. Of course, it is not enough to keep the items around longer. To save money from them, they must be used rather than replaced.

The frugal reader saves money by researching value, quality, durability, and multiple use for most of the items they plan to buy. Spending $10 on a cheap frying pan that will last 1 year is not as smart or frugal as spending $20 on a frying pan that will last 20 years. One large skillet might do all the work of a smaller skillet, an egg poacher, a popcorn maker, and a cornbread pan. Two washing machines may cost the same price, but one brand may last years longer than the other does. Two very similar vehicles might have very different resale values. The reader can check with consumer magazines like Consumer Reports to get unbiased analyses of products like these. A small investment in a magazine might save the reader hundreds of dollars over the long run because they make better buying decisions. Once the reader has chosen an item for durability and value and has made the decision to buy it, they can save even more money by buying the item for the lowest price possible. The reader can get bargains by buying things they need through mail-order discounters, discount chain stores, comparison-shopping on the phone, or bargaining and offering a lower price than is advertised.

Another option is for them to buy it used. The reader can buy used clothes, kitchenware, furniture, cars, and appliances. Where can they buy them? They can try Goodwill, newspaper classifieds, garage sales, consignment shops, auctions, and flea markets.

101 SURE WAYS TO SAVE MONEY

The tips from the previous section are the heavy hitters for saving money. They are general tips for saving money in a very wide variety of situations. The tips in the section "101 Sure Ways to Save Money" are more specific. They apply to more specific situations than the tips in the previous section, but the large number of them ensures that just about everybody will be able to use several of them to save money. Here are some examples. The first tip and possibly one of the widest reaching is to pay off credit cards. This saves money on interest and late payment fees. Since such a large number of Americans are so deeply in credit card debt that they will not get out of it for at least twenty years, it makes sense for readers to pay close attention to this first tip and implement it in their own financial strategies. Once they have done that, they can follow the second tip, which is to get rid of all their credit cards except for one, which will only be used in emergencies. This eliminates unnecessary annual fees.

Paying off debts quickly can eliminate interest expenses and reduce the stress of having a long list of bills each month. This works for things such as credit card debts (discussed in the previous paragraph), layaways, car payments, rent-to-own furniture, and mortgage. Paying off a mortgage as quickly as possible can especially save the reader quite a bit of money. Even paying slightly more than necessary each month can drastically lower the total amount of interest to be paid over all. The authors suggest cutting back on expenses that many people take for granted. For example, paying cash for all purchases eliminates interest and other fees and keeps people from buying as many things they do not really need or want.

The authors have several tips for helping the reader reduce transportation expenses. For example, the reader could consider getting rid of extra vehicles. They cost a lot to keep, even when they are not used. They could also walk to do local errands when possible. It saves gas and wear and tear on the vehicle and is a good source of exercise, promoting better health. Another option would be for them to use public transportation. It is usually cheaper than buying and keeping a vehicle. They can also save money on repairs. Rather than running straight to the nearest mechanic every time their car has a problem, they could learn basic auto maintenance. Almost anybody can learn to do basic car repairs. It saves money compared to having someone else do simple repairs. It also pays to shop around for a mechanic ahead of time. Find someone who will charge a reasonable price to prevent being charged an outrageous price during an emergency. The reader can also compare prices over the phone and buy the auto parts at an auto parts store, then take them to the mechanic and have the mechanic install them. If the mechanic were to perform the service of providing the parts, he or she might mark up their price considerably. Carpool to work. This not only saves car maintenance and gas money, but it is easier on the environment. Better yet, they could walk or ride a bicycle rather than driving. It is healthier and cheaper.

Another area that most people do not think about reducing expenses in is health care. For instance, they can accept a higher deductible on their major medical insurance. Most illnesses heal on their own, anyway, so this type of medical insurance can save the reader quite a bit of money compared to "regular" medical insurance. Many people do not realize that they can comparison-shop for the best prices in health care, just as they would for other products and services. They can compare prices on drugs, blood tests, x-rays, and other procedures before buying them or having them done them. In addition, if their doctor works in more than one location, they can comparison-shop for the lowest-cost place to visit that doctor.

Of course, it is cheaper to prevent illnesses than to cure them. It makes sense financially for the reader to eat a proper diet. Diet is probably the biggest thing controlling the reader's health. Eating good foods can prevent illnesses and medical costs. Another thing they can do to prevent illnesses, save money, and feel good is to get proper exercise. Exercise is almost as important as good food in helping people stay healthy and keeping medical costs low. Finally, they can reduce stress. Stress can cause many health problems. It can be expensive to be stressed out.

Cigarettes are extremely expensive, provide little pleasure, and cause very expensive health problems. To keep both the body and the wallet healthy, the smoker should stop smoking cigarettes. In addition, two-thirds of Americans are overweight. Being overweight causes expensive health problems. Therefore, the reader should get to a healthy weight and stay there.

Many people pay $500, $1000, or more per month just for a place to live. For most people, housing is their largest expense. To keep housing costs down, the authors offer several tips which invite the reader to try out non-traditional housing options. For example, the reader could housesit for a free place to stay. They could rent out unused space in their home, such as a basement, garage, guesthouse, or spare bedroom, in order to help pay their mortgage costs. They could move somewhere less expensive. Housing prices vary greatly, so there is probably a community nearby that has similar housing for a cheaper price. Another way to reduce housing costs is to live in a home that is not a house. For example, the reader could live in a motor home or a used mobile home on his or her own land. These small homes might not look grand, but they offer the advantages of being easy to clean and being mobile.

For some people, clothing is a huge expense. Many people do not realize that they spent quite a bit of money on clothes. To reduce this expense, the most obvious thing to do is to quit buying so many clothes. It might be necessary for the reader to stay away from places that sell clothes if they feel addicted to buying clothes. Just because they do not buy clothes, however, does not mean that they need to get bored with what they wear. Instead of buying clothes, they could trade clothes with friends who wear the same size. They could also try setting some clothes aside in storage and pulling them out in several months. This will make the clothes seem more exciting and may quiet the urge to buy something new.

The buyer does not necessarily need to buy everything that they need, either. They can borrow, trade, and share to save money. Instead of paying for services, they could try trading services with other people. The reader can barter services by participating in bartering networks. There are many bartering networks available online. Co-ops are one version of trading networks. For example, the reader could become a member of a baby-sitting coop. They would trade their babysitting services for somebody else's, greatly reducing their childcare costs. Instead of buying books, magazines, and other media, they can borrow them from the library. The library can probably get anything they do not own through inter-library loan. If the reader subscribes to a certain magazine, they can share that magazine with a friend when they are done with it rather than throwing it in the trash. Their friend might do the same, sharing their magazines or other items they no longer use with the reader.

Of course, it is not always possible to avoid paying money for items. To save money when at the grocery store, the reader can make a shopping list and simply not buy anything that is not on the list. This is easier to do when they go to the store infrequently. Instead of running to the store every time they need something, the reader can plan one big shopping trip a week or one every ten days. This means that instead of running to the store each time a staple runs low, they just make do with the food and supplies on hand until the next shopping trip. This saves time and gas, and it cuts down on the temptation to buy extra things. To save money on what they do buy, they can use coupons. They can also make up menus ahead of time for the week, based on what is on sale. Smart shoppers use advertisements to comparison-shop. They buy staples such as flour, beans, and rice in bulk. To save money on fresh fruits and vegetables, they buy foods in season to get them cheaper. Sometimes shoppers get better deals when they buy large quantities of foods. One family might not need so much food, though. In order to take advantage of these deals, the reader can cooperate with friends or neighbors to buy items in bulk. They can also save money by taking advantage of sales, clearances, and low-priced foods. The reader can get the best deals by knowing where the grocery store puts clearance items. Since meat can be expensive, the reader can save money by eating vegetarian meals once or more per week. Convenience foods, on the other hand, can be expensive per serving. The reader can save money by staying away from convenience foods such as cocoa mix and microwave popcorn.

The authors offer other tips for saving money on recreation, travel, hobbies, insurance, gifts, and raising children. Each tip has the potential to save the reader many times during their life. If the reader were to apply these tips systematically, they could certainly reduce their monthly expenses while continuing to lead a fulfilling life. The authors remind the reader that most of these methods of cutting down on expenses also have the added benefit of being good for the planet.

1,001 SURE WAYS TO SAVE MONEY

Every item purchased and listed on the expense sheet each month could probably have been gotten for a lower price. The reader can look at their expense list and make their own list of ways to save money.

1,000.001 SURE WAYS TO SAVE MONEY.

The brain is constantly thinking, and most of the thoughts are about desires. The authors say, "Your thoughts make you buy stuff." So the reader should pay attention to every thought and look critically at each one to determine whether or not they should really act on each one to get what they "desire."

Chapter 7

Chapter 7 Summary and Analysis

Chapter 7 covers work. It starts out by discussing what work is, and then it goes on to Step 7. Step 7 is to maximize income. Although most people define work as what they do to make a living, there is more to work than that. The definition of work varies depending on who is defining it. That means that the reader is free to choose their own definition of work.

When asked what they do for a living or what their job is, many people reply with, "I'm a..." and then they say the name of their job. "I'm a carpenter." "I'm a lawyer." "I'm a teacher." By saying, "I'm a..." these people are personally identifying themselves with their jobs. They are getting part of their identity from their jobs. All the frustrations from their work and all of their job's imperfections become part of them when they say, "I'm a...." Saying "I'm a..." is much different from saying, "I do..." For instance, instead of saying, "I'm a carpenter," a person could say, "I do carpentry." Instead of saying, "I'm a teacher," they could say, "I do teaching," or just, "I teach." This is much different. "I'm a..." turns the job into an identity. "I do..." makes it clear that the job is just something the person does and that their life might be about something different. This helps the reader redefine work. If the reader understands that paid employment is simply something that they are doing to make money instead of part of their identity, then many possibilities open up, and it changes the way they look at their job and the things they do when they are not at their job.

People sometimes try to get many things out of their jobs. Of course, almost all people say that they want to earn money from their job. Many people, however, get a sense of security from their job. They want a job that makes them feel secure. Some people work in a certain job because of tradition. Perhaps their parents or grandparents worked in the same field. Other people actually work because they enjoy what they do at work. Some people work because they feel it is their duty or because they want to be of service. Another reason for working is to grow personally or to learn valuable information or skills. Prestige, status, and power can be reasons for choosing a certain job, especially when the job is working as an executive or when the job pays quite a bit. Some people go to work to socialize. Some choose a certain position because it allows them to be creative. People can get all of these things except for earning money outside of their jobs, though, so the authors feel that paid jobs are really just about earning money.

Sometimes people try to make a living by getting a job doing what they are passionate about or what they really enjoy. On the surface this looks like a good idea. They are supposedly playing and being paid for it. Although this sounds like a superior way to work, many things can and do go wrong. People end up having to make sacrifices and compromises, never exactly doing what they really enjoy because they have to satisfy someone else in order to be paid. This may affect an artist's artwork, a preacher's sermon, or a teacher's lessons. They may choose the career because it is related to what they are passionate about, but then reality sets in and they realize there are extra duties or restrictions that they did not expect before. So they end up compromising their dreams or just giving up on them altogether.

The solution is to give up on making a living from what the reader is passionate about. The reader can get a job not related to their passion and just follows their passion unpaid when they are not at their job. Many people find this makes them a whole lot happier. This strategy has several advantages. For instance, it increases the choices they have for paid employment. It also allows them to do their paid job without giving up their true self. It allows them to take a different view of unemployment, too. If "work" is different from "paid employment," and "work" is anything they do to provide a service, then they are working when they are being a good parent, cleaning the house, walking the dog, etc., and they are not necessarily "useless" when they do not have paid employment. Once people realize that not all work is paid, it adds life to their retirement because they know they can still be useful even when they are not being paid. Most importantly, it allows them to feel like it is okay to take a job that is not their calling, since they know they can pursue their true passion outside of their job.

In Step 7, the reader maximizes their income. The authors encourage the reader to choose a job with high pay. The higher the job pays per hour, the less the reader will have to work in order to make the amount they need to live off from. They can choose to work very few hours that way. If they choose to work more than the minimum amount the need to do to pay their bills, then they can save the excess money and use it later in the program for investing to lead to financial independence.

The authors put limited job-hunting advice in this chapter. For more tips about finding a good paid job, they recommend reading What Color is Your Parachute? The authors also recommend being cautious before spending a lot of money on anything that promises to help the reader find "Job Charming." They feel that it is also important for the reader to have a clear purpose for having a job and to be willing to work for what they want. In order to find a good paid position, the reader must also remain conscious of all of the job opportunities around them.

Chapter 8

Chapter 8 Summary and Analysis

Chapter 8 discusses what the "crossover point" is and what the reader can do after they reach the crossover point. The crossover point is based on the reader's wall chart. If the reader follows the program, maximizing income and minimizing expenses, they will inevitably end up making more money per month than they spend. They can save this money up and turn it into an interest-bearing investment. If they systematically save up their excess money and invest it like this instead of spending it, they will have a small income each month from the interest. The amount of interest they will receive each month grows every time they invest more money. If they keep reinvesting the interest instead of spending it, the amount of investment income they receive each month will grow even faster.

The reader should keep track of their investment income on their wall chart separately from their other income. Their expenses will tend to smooth out over time and settle down to a certain range. Eventually, the amount of investment income will be as high as their normal expenses for the month. The time that this happens is called the crossover point. The reader can look at their wall chart after a while and notice their normal expense level and notice how quickly their investment income is growing. They can use that information to estimate when their crossover point will take place. Knowing their crossover point can give the reader several advantages. Once they know that they will only have to work for a certain, specific period, it may change their attitude about their current paid employment. They may become much more eager to go to work or to do a good job while they are there.

When the reader reaches their crossover point, they will likely have enough investment income to live off from if they quit their job, and then some. That is because once they quit their job, their expenses are likely to go down. The crossover point is determined using the reader's monthly expenses while they are working. Their investment income at the crossover point is enough to cover their expenses while they have a job. So naturally if they quit their job and their expenses go down, they will have money left over. They can reinvest this or use it to do new projects.

After the crossover point, the reader might also choose to continue working. Of course, they will probably look at their job a whole lot differently. Being at work when it is optional is much different from being at work when it is required. That might lead the reader to choose a new job. Sometimes when people reach their crossover point, though, they just want to relax a while. They can take a "break" for as long as it makes them happy. For some people that takes a week. For others it takes the rest of their life.

Eventually, many people find that being lazy gets boring. So they end up pursuing others dreams, such as volunteering. Some people who volunteer find that it makes them feel more fulfilled than they have ever felt before. They feel very free when they are volunteering because, obviously, they do not have to be there. They get to do things their way. To volunteer, people can just practice spontaneously helping people. They can also choose to become activists and advocates for a cause they are passionate about. Another option is for them to start something completely new, such as a new organization or a helpful new lecture circuit.

Step 8 of the program is for the reader to multiply their current excess money each month by the current long-term interest rate for U.S. treasury bonds and to divide that by 12 to find their monthly investment income. They should plot that as a separate line on their wall chart. Then after a few months, they can look at the wall chart and their "normal" monthly expenses and estimate when their crossover point will take place.

Chapter 9

Chapter 9 Summary and Analysis

Chapter 9 teaches the reader specifically what they can do to achieve Step 9. Step 9 is for the reader to invest their capital and manage their investments.

The authors believe that there are two common investment myths that they must dispel from the reader before the reader can make good investing decisions for the purposes of the program. The first myth they dispel is that the investor should rely on a broker for investment advice. The authors believe that brokers are just salespeople, and that brokers do not necessarily have the investors' best interests in mind when making recommendations for investments. The second myth the authors dispel is that investors should use inflation as their primary consideration when choosing how to invest capital. The authors believe that the effects of inflation on the reader's expenses over time will be negligible due to several factors. First, if the reader is frugal, they will not need to buy very many durable items after they achieve financial independence, because they will already have bought most of those things in earlier years. Some things will surely wear out from time to time, but replacing them and repairing them occasionally will not be as expensive as having to buy everything the first time around. Thus, the reader's expenses are likely to go down after they buy their initial house full of living necessities. The second reason is that inflation does not apply to everything. Many prices stay level over time as innovations make producing them cheaper and easier. This applies to certain foods, clothes, and technology. Third, the reader can avoid inflated costs of many expenses just by choosing to use something similar but different to meet their needs. If the price of gym memberships goes up, it does not really matter because the reader can meet their exercising needs by walking or by riding a bike. If the price of gas goes up, it will not affect the reader much when they use a bicycle or a motor scooter as their primary transportation.

The authors believe that even though "inflation" does happen, it does not necessarily need to inflate the reader's expenses. The reader's choices ultimately control their total expenses. Therefore, it is not necessary for the reader's investments to return a rate that is higher than inflation. Their investment should provide, however, a safe, steady return that they could count on to pay their expenses month after month.

According to the authors, the safest, highest-quality conservative investments available are U.S. treasury bonds and U.S. agency bonds. The reader may buy U.S. treasury bonds 4 times a year directly from the government as they are released, or they may buy them any time they wish from a primary dealer. The authors recommend that the reader read Treasury Securities by Donald R. Nichols in order to understand more about treasury and agency bonds. Once the reader understands bonds, the reader should buy the bonds himself or herself, rather than paying a fee to have an intermediary buy one for them.

This chapter also introduces the terms "cushion" and "cache." The reader's "cushion" is a lump of money that will handle emergencies or unexpected large expenses for them. The authors caution the reader to keep a cushion equal to six months' worth of expenses easily available. The reader should save up this cushion and set it aside before saving up capital for investments. "Cache" is simply extra money that the reader ends up having at the end of the month after they have reached their crossover point. Cache usually builds up because people's expenses go down when they quit working a paid job. They can donate their cache, reinvest it, use it to replace those things that are wearing out, or use it to complete a special project.

The authors predict that if their program were to "catch on" and the majority of the population were to use it, it would have far-reaching effects on culture, living conditions, the environment, and the economy. For instance, it would free up jobs because people would retire young. It would also increase productivity because people would not mind their jobs as much. Cities would be more livable due to decreased pollution and decreased traffic. The number of unpaid volunteers would increase, benefiting the poor, the sick, the helpless, and the hungry. The environment would benefit, too, as air pollution and water pollution would decrease through reduced use of fossil fuels and increased reuse and recycling of resources.

Characters

Joe Dominguez and Vicki Robin

Joe Dominguez and Vicki Robin start the seminar "Transforming Your Relationship with Money and Achieving Financial Independence." That seminar is the basis for the book Your Money or Your Life. Before starting the seminars, Joe Dominguez is a stock analyst on Wall Street until he retires at the age of 31. While he is working, he develops a program that allows him to retire early and live modestly. He later begins to teach his techniques to others. At first he teaches this informally. Vicki Robin is one of his earliest students. For about 20 years, they continue to spread the word together informally about the financial independence program to friends and fellow volunteers on service projects. After their friends apply the techniques to their own finances, they tell others about the program, and Joe and Vicki eventually start a seminar teaching others to do the same thing.

Chris Northrup

Chris is a program participant and a physician. She finds her career takes up too much of her time. She chooses to dine out with her family occasionally because they feel it is worth the money they spend in order to get uninterrupted family time together. She starts her own women's clinic.

Gordon Mitchell

Gordon is a program participant who starts as an organizer at a militant black organization. He does not like the way the reality of his job does not match what the organization claims as its goals. He later becomes a financial planner. He realizes after using the 3 questions that he is caving in to his children every time they ask him for money. He also reduces his expenses by moving his office to his home.

Penny Yunuba

Penny is a program participant. She is a "successful" salesperson who feels that there should be more to life than working. When she discovers there will be a time when she will not have to work any more, she does not feel pressured to extra-enjoy every "free" moment. She moves into the basement of her home and rents out her bedroom to increase her income so she can leave her job. Now that she is independent, she is a full-time volunteer.

Carl Merner

Carl is a program participant. He is a "typical" person who works as a data processor. He has "the American dream," but does not find it that exciting. As he approaches financial independence, he is worried about not having enough income to handle emergency repairs, so he decides to learn how to do the repairs himself.

Lynn Merner

Lynn is Carl's Merner's wife. She leaves her programming job to teach piano full-time at lower pay. She and Carl separate their finances in order to keep better track of them.

Diane Grosch

Diane is a program participant. She is a computer programmer. She makes plenty of money and has plenty of material possessions to prove it, but she hates her job. Using the three questions, she realizes her income is less than her expenses for the month. That drives her to decrease her expenses drastically. She decreases eating in restaurants to about once a month. During her first five years after starting the program her expenses steadily decrease until they are under $500 a month. Since achieving financial independence, she now volunteers her services as a computer programmer, but no longer hates her work. Her balance sheet is one of the examples in Ch. 3.

Jason and Nedra Weston

Jason and Nedra are program participants. They are an odd pair. He is a hippie. She is worldlier and likes to accumulate material possessions. Together, they have about $20,000 in debt when they get together. Both are initially undereducated about managing money. After they take the seminar, Nedra realizes she must stop accumulating debt, and Jason realizes that he will have to support himself or be a burden to others. After becoming financially independent, they become volunteers.

Larry Graham

Larry is a program participant. He is a project manager in the construction industry until he uses the program to realize that he can take a part-time job and still ultimately net more money than he has been making from his full-time job.

Anita Cleary

Anita is a program participant. She is a shopaholic who uses the program and ends up breaking her addiction to shopping.

Rosemary Irwin

Rosemary is a program participant. Her monthly tabulation is used as an example of how people can divide their income and expenses into categories. To speed up her journey to financial independence, rather than searching for a higher-paying and possibly more stressful job, she takes a second job. She begins to feel uneasy as her Crossover Point approaches because she is afraid of giving up the security of her job.

Lu Bauer and Steve Brandon

Lu and Steve are program participants. They are an accountant/truck driver couple who live in rural Maine. The authors use their monthly tabulation form as an example of one way to set up categories. They sell their extra car to reduce expenses. Lu uses the program to figure that out of the $60 per hour she charges as an accountant, she nets only $5 per hour. She raises her rates.

Leslie Nelson

Leslie is a program participant. She is a server and activist. She uses her monthly tabulations as a way to keep herself aware of her finances and saves up $20,000 over 5 years.

Amy and Jim Dacyczyn

Amy and Jim are program participants. They use the program to achieve their dream of raising a family in a big farmhouse. They use creativity rather than "bought" items to decorate a barn for a birthday party, turning it into a pirate ship. They observe that when they buy too many gifts for their children at Christmas, the children are only excited about the first few they open.

Wes Lambert

Wes is a program participant. He uses the program to help himself align his entire life with his passion for nature.

Kees and Helen Kolff

Kees and Helen are program participants. They used the program to allow themselves to retire from paid employment so they can explore options such as volunteering together in a Third World country. They decide to offer each of their children a fixed, modest amount of money to use to go to the college of their choice.

Evy McDonald

Evy is a program participant. She is a nurse who realizes that she does not get value from having so many pairs of shoes. She is diagnosed with a terminal illness, and she becomes financially independent so she can become a full-time volunteer. Her health problems go away. After that, she is able to travel abroad to give speeches at conferences.

Ted and Martha Pasternak

Ted and Martha are program participants. They use the three questions to help each other evaluate expenses without getting into arguments. After reaching their Crossover Point, Ted begins to sell real estate and donates half of his commission to the charity of the client's choice. As part of their plan for financial independence, they decide to invest in zero-coupon bonds that will mature when high-expense points in their son's life will likely occur.

Tom Clayton

Tom is a program participant. He has a "successful" life, but does not feel fulfilled. He leaves his job for a lower-paying one in order to align his life with his values.

Ivy Underwood

Ivy is a program participant. She grows up poor, so as an adult, she compensates by dressing nicely and owning a huge wardrobe. She uses the three questions to become aware of her habit of over-spending on clothing. Eventually, she quits buying so many clothes, and she feels better about it. She trades four home-cooked meals with another woman for a sewing machine and gains a friend in the process.

Sally Morris

Sally is a program participant. She has a job working as a graphic designer for a high-tech company with major defense contracts. When she becomes debt-free, she quits her job, rents out her home, leases her car, and moves to Kenya to help establish a dental clinic there.

Steve West

Steve is a program participant. He sells his two extra vehicles to lower his expenses. After putting the program into practice for a year, he saves up enough money to allow himself to work less. He begins to charge higher fees for his remodeling work and finds that people are willing to paying him more. For him, the high point of the program happens when he realizes that the Crossover Point will occur and that he will not have to work for a living any more. He plans to be a writer after retiring.

Roger Ringer

Roger is a program participant. He has a vision of young people moving to the city after finishing their formal education, working there for only five years, becoming financially independent using the program, and then moving back to rural areas to spend the rest of their lives. He reaches his personal Crossover Point after four years of doing the financial independence program.

Mary Yew

Mary is a program participant. She and her family splurge once a week by going to town to shop and having lunch while they are there. They decide to keep this habit because they feel it is worth the investment.

Kate and Ned Norris

Kate and Ned are program participants. They set a frugal example for their daughter by shopping in thrift stores. Ned decides to do some research of his own before deciding to follow Joe Dominguez's advice about investing only in U.S. treasury and agency bonds.

Ted and Martha Pasternak

Ted and Martha are program participants. They choose to work less and spend more time with their son instead of working extra to pay for his college education. They feel it is more important to set a good example for him than to buy his way through college.

Tim Moore

Tim is a program participant. He chooses to work and save up money rather than go to college directly out of high school.

Margaret Parsons

Margaret is a program participant. After her divorce, she becomes a financial planner. She feels bad about her role as a salesperson in her job, and starts following her conscience, even though she makes less money.

Marcia Meyer

Marcia is a program participant. In just under 5 years she increases her income from only a couple of hundred dollars a month to over $2,000 per month. After achieving financial independence, she uses her time to nurture her relationships with her family. She builds up her cache using income she occasionally earns from extra temporary jobs. She uses the cache to pay for travel.

Wanda Fullner

Wanda is a program participant. To become financially independent, she rents out rooms in her house to students, and uses that to pay her rent.

Dwight Wilson

Dwight is a program participant. He uses his inheritance as his financial independence capital so he can volunteer full-time.

Marilynn Bradley

Marilynn is a program participant. She does not understand investment mathematics and terms at first, but eventually figures them out and successfully buys her first bond.

Objects/Places

Wall Chart

During Step 5, the program participant makes a wall chart. The wall chart is the place where the program participant keeps track of their income, expenses, and investment income each month. The wall chart is from 18 to 24 inches tall and from 22 to 36 inches wide. It is preferably a single sheet of construction paper or cardboard, although it made be made of two or more pieces taped together. It consists of a grid that is ruled at approximately 10 squares per inch. The horizontal axis of the wall chart measures time at one month per two squares and the vertical axis measures money in hundreds of dollars.

Record of Income and Expenses

The second half of the second step in the program is to begin keeping meticulous track of income and expenses. Program participants are to keep track of every penny that enters or leaves their life by recording it in some sort of a ledger. They may use any sort of ledger they choose. Some examples are books containing blank pages, 3 by 5 inch index cards, pocket-sized memo books, and spiral bound notebooks. The information they record in their ledger will later be used for their monthly tabulation.

Monthly Tabulation

Step 3 of the program is to begin to keep a monthly tabulation. In the monthly tabulation, the program participant sorts the various entries from the ledger into detailed categories of their own choosing, and then records the totals for each category in the monthly tabulation. After finding the totals, the program participant begins Step 4 by asking himself or herself 3 questions about the totals of each category of expenses. These 3 questions are meant to help the participant understand how they can change their spending habits in the future to increase their life fulfillment.

U.S. Treasury Bond

In Step 9 of the program, the participant begins to save up capital and invest it in U.S. treasury and agency bonds. A U.S. treasury bond is the government's way of borrowing money from people. The participant buys bonds that mature far in the future in order to keep their investment and investment income secure. U.S. treasury bonds are one of the safest, most conservative investments available.

U.S. Agency Bonds

U.S. agency bonds are similar to U.S. treasury bonds, but they are issued by agencies of the U.S. federal government, such as the Student Loan Marketing Association (Sallie Mae) and the Federal National Mortgage Association (Fannie Mae).

Cache

Once the program participant has achieved financial independence and begins to live off from their investment income, they will have a certain amount of money left over each month after they pay for their expenses. This extra money is called their "cache," and it can be reinvested, donated, used to buy items to replace those that are wearing out, or used to complete a special project.

Cushion

After paying off their debts and before beginning to save up capital to invest, the program participant should save up a cushion of money roughly equal to six months' worth of their expenses. This cushion makes it easier for the participant to handle small financial emergencies such as unemployment.

Capital

After paying off all of their debts and saving up a "cushion," the program participant begins to save up capital. Once they have $5,000 in capital, they can invest it in U.S. treasury or agency bonds that will provide them with a lifetime of investment income.

Crossover Point

After the program participant has been investing their capital for a while, there will eventually be a time when the investment income they earn from the interest on their U.S. treasury and agency bonds each month will cover their expenses. That point in time is called their "crossover point." After that time, they may retire, if they wish, assured that they will always have enough money to live off from.

Balance Sheet

In the second half of Step 1, the program participant completes a detailed balance sheet that shows their net worth derived from their total assets and their total debts.

Gazingus Pin

"Gazingus pin" is a generic term that the authors use to describe any item that a person may have a habit of buying even though they do not get much value from it compared to the amount of life energy that they have to spend to pay for it.

Themes

Frugality

The theme of frugality comes into play throughout the book. Frugality in the book is not just about minimizing expenses. It is also about the reader enjoying what they have. Frugality is a means to an enjoyable life, a means to financial independence, and a means to making the world a better place.

The authors define frugality as "having a high joy-to-stuff ratio. They emphasize that most people have a large number of material possessions that they do not use or enjoy. Being frugal means that the reader fully enjoys everything that they have, as well as things that are available for them to use even though they do not own them. Some examples are a sunny day, a public library, and an item borrowed from a friend. The trick is for the reader to actually use and enjoy the things they have and have access to. When they do this, then the need to buy excess "stuff" disappears.

This leads to the second use of frugality, its use as an instrument of achieving financial independence. Most people purchase far more than they need and can enjoy. When they focus on enjoying what they already have, they do not spend so much money running around buying other things. Then they can start to save money and invest it, to produce a monthly income that will eventually allow them to be financially independent.

Frugality is friendly to the earth. Since material items that people buy come from the earth, buying lots of "stuff" depletes the earth's resources. Almost every material thing that people buy ultimately ends up going into a landfill, and/or polluting the land, water, and air. By buying fewer things, the frugal person minimizes their negative impact on the environment.

Financial Independence

The most obvious theme in the book is financial independence. The book takes the reader through a nine-step program, but it is all for the purpose of helping the reader achieve financial independence. The book assumes that financial independence is a desirable goal and that the reader would be willing to do a little extra work and give up a few "extras" in order to achieve financial independence. The authors believe that financial independence is being able to pay normal expenses without having to work in paid employment. Many people would argue that a person has to be "rich" to be financially independent. The authors hold a different view. They believe that to be financially independent, the reader only has to have enough income each month to meet their monthly expenses without having to work a paid job. In the book, many of the program participants becoming financially independent with only an investment income of $500 per month.

Once the reader achieves financial independence, they are able to spend time more relaxing, nurturing relationships, volunteering, playing, or working on projects they have always wanted to do.

Volunteerism

After achieving financial independence, people have time to do things that they want to do. Although they may do many things that bring them "fulfillment," many program participants who become financially independent choose to do volunteer work.

The authors believe that volunteer work can bring most people great fulfillment. They believe that once people have "enough," that they cannot necessarily get more fulfillment by buying more material possessions, because having too many "things" just ends up cluttering up their lives. Instead, to feel more fulfilled, they can fully enjoy what they already have access to, and they can help others. The authors believe that volunteering can send the reader's fulfillment "off the chart."

The reader can volunteer to work in an area or on a cause they are passionate about, they could work helping other people avoid pain that the reader has felt before, or they could work doing whatever is needed around them. No matter which path they choose, though, they will both improve the world around them for others and increase their own sense of fulfillment. The authors believe that volunteering is much more fulfilling than trying to do the same type of work for pay, which is called "right livelihood." This is partly because the volunteer has much more control over what to do and how to do it. This is more satisfying.

Style

Perspective

The authors of the book are Joe Dominguez and Vicki Robin. Joe Dominguez works on Wall Street for 10 years from ages 21 to 31 as a technical analyst and institutional investment advisor. During that time, he sees the shortcomings of a high-stress, over-worked, high-consumption life, and he figures out a way out. He develops a program to make himself financially independent using his own investment income, retiring to a life where he gets more fulfillment, yet spends less. After achieving financial independence, he still "works," he just does not get paid for it. As a volunteer, he comes into contact with other people and shares his story with them. They want out of the "rat race," too, and apply the same steps to their own lives. Vicki Robin is one of those people. Eventually, so many people know about Joe's program and like it so much that he begins to teach it as a seminar. Later, he and Vicki turn it into a tape-and-workbook set and sell 30,000 copies. The next logical step is to write a book based on the seminar, which becomes "Your Money or Your Life." Since both authors are already financially independent, the purpose of the book is purely philanthropic. The authors wish only to help as many other people as possible achieve financial independence.

Tone

The tone of the book is helpful, soothing, inspiring, objective, and passionate. The entire purpose of the book is to help the reader achieve financial independence. To that end, the authors encourage the reader to not only read the book, but to actually follow through on doing every step in the book in order to achieve financial independence. In fact, they actually devote a page at the beginning of the book, before the contents, warning the reader that it will do no good to read the book without following through with every step of the program.

In order to remain objective, the authors justify every step and explain why each one is important. In addition, they encourage the reader by constantly reminding them to adopt a "no shame, no blame" attitude, to keep the reader from becoming discouraged.

Throughout the book, it is obvious that the authors have nothing but the reader's best interests at heart, and that they truly believe that following the program can not only change the reader's life, but also can also positively affect both the environment and help many other people through increased volunteer work.

Structure

The book contains: a title page; a couple of pages of acknowledgements; a page warning the reader to actually complete all of the steps; a couple of pages of table of contents; seven pages of preface to the new edition; a prologue titled, "Why Read This

Book?"; nine chapters, each corresponding to one step of the program; an epilogue which summarizes the nine steps in eight pages; a section of resources; a notes section; and an index.

The "warning page" at the beginning of the book is probably a good idea, because it may possibly make people think twice about simply reading the book without following through with the program's nine steps.

Placing each step in its own chapter is useful, too, because it makes it easy for the reader to find and re-find the chapter they need, especially once they have memorized the program's steps. Finding the right spot in the book would have been more difficult if the authors had, for example, made Chapter 1 an introductory chapter, and then started Step 1 in Chapter 2.

For one-time-read books, it does not make sense to include "index" and "resource" sections, because the reader usually will not have the book around enough to bother looking through those. Since the authors intend the reader to use this book throughout life, however, it makes sense for the authors to make the resources and index as useful as possible. They have indeed done so. The resource section is particularly helpful and includes resources on topics such as investing and voluntary simplicity that the book did not have room to cover fully.

Quotes

"We make a dying at work so we can live it up on the weekend." Chapter 1, pg. 7.

"...not only are most people habitually unhappy, but they can be unhappy no matter how much money they make." Chapter 1, pg. 8.

"It's a one-way trip from the earth to the factory to the store to our house to the dump." Chapter 1, pg. 11.

"We no longer live life. We consume it." Chapter 1, pg. 15.

"Instead of leisure being relaxed activity, it was transformed into an opportunity for increased consumption—even consumption of leisure itself (as in travel and vacations)." Chapter 1, pg. 16.

'We don't ponder, "To consume or not to consume, that is the question."' Chapter 1, pg. 19.

'Most clutter enters our lives through the "more is better" door. It comes from the disease of materialism, of looking for inner fulfillment in outer possessions.' Chapter 1, pg. 27.

"Money ain't what it used to be—and never was." Chapter 2, pg. 40.

'"What is money?" is the perfect koan for soul-sick M.B.A.'s who turn to religion when the market lets them down.' Chapter 2, pg. 42.

"Money is something we choose to trade our life energy for." Chapter 2, pg. 54.

"So many of us have whittled away at our uniqueness so that we could be square pegs in square holes that it seems slightly self-indulgent to wonder what kind of hole we would be inclined to carve for ourselves." Chapter 4, pg. 110.

"...thanks to burning fossil fuels, the average American lives a life-style that is equivalent to the work produced by approximately 200 slaves." Chapter 4, pg. 141.

"To be frugal means to have a high joy-to-stuff ratio." Chapter 6, pg. 168.

"'Frugal, man." That's the cool, groovy way to say "far out" in the nineties. Surfers will talk about frugal ways. Teenage girls will talk about frugal dudes. Designers will talk about frugal fashions. Mark our words!" Chapter 6, pg. 169.

"...the nicest part of dating doesn't cost money!" Chapter 6, pg. 206.

"Your thoughts make you buy stuff. Watch those suckers." Chapter 6, pg. 217.

"In terms of sheer hours, we may be more wedded to our jobs than our mates." Chapter 7, pg.225.

"Once you have enough, it's commitment to giving that takes that fulfillment line straight up off the top of the chart." Chapter 8, pg. 282.

"As the standard of living has risen, so has the standard for a rising standard of living." Chapter 9, pg. 302.

Topics for Discussion

The authors wrote the book in the early 1990s. How would it be written differently today?

The authors paint a very positive picture of volunteering. What downsides to volunteering are there that the book did not mention (other than not being paid for work)?

Would everybody be able to use this financial independence program, or just certain people? Why or why not?

Is the authors' definition of financial independence the "best" one? Why or why not?

What advantages of being frugal are there that the authors do not point out?

Would this financial independence program work as well now as it did when the book was written? Why or why not?

What are some barriers to becoming financially independent that the book does not mention?

What are some ways to maximize income that the book does not mention?

How would someone approach using this program differently if they knew they only had a year to live, rather than having 10 to 40 years left like most people who use the program do?