Money While You Sleep

A Guide to Financial Freedom

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Scripture quotations are taken from the New American Standard Bible® (NASB) and the New International Version® (NIV) unless otherwise noted.

For my wife, my daughter, and my mom and dad —

and for every family that dares to build something worth leaving behind.

Contents

Before the First Dollar

What This Book Is Really About

> *"For I know the plans I have for you, declares the Lord, plans to prosper you and not to harm you, plans to give you hope and a future."*
>
> — Jeremiah 29:11

There is a moment that almost every financially struggling person can identify — the moment they realized something was wrong with the way they understood money.

For some it arrives as a pink slip. For others it is the quiet dread of opening a credit card statement, the helplessness of watching a medical bill arrive with no savings to meet it, or the slow erosion of dignity that comes from living perpetually on the edge of the next emergency. For many it comes much later — a retirement that looked secure on paper and then, in practice, ran out.

For me, it arrived in 1998, sitting in a Chicago cubicle with one hundred dollars to my name, watching executives ask me to reboot their computers while I quietly wondered if this was all there was. I was twenty-eight years old, newly employed, and completely unprepared for the financial life ahead of me.

Four months in, AT Kearney decided to combine second-level tech support with mail duty. I responded with my own efficiency initiative. Reasoning that a monitor is essentially a box with a screen, I began packaging two of them into one box. After a string of casualties, my supervisor called me into her office.

She implemented her own cost-saving measure.

I was fired.

Looking back, it was one of the best things that ever happened to me — though I could not have recognized it as a gift at the time. Because losing that job forced a question that, if you have never genuinely asked it, will change everything once you do:

What is money actually for?

The Question Behind the Questions

Not "How do I make more of it?" Not "How do I get out of debt?" Not even "How do I retire comfortably?" Those are all real questions, and this book answers all of them. But they are downstream from the deeper one.

What is money actually for?

The Bible has a clear answer, and it is neither the prosperity gospel's promise of unlimited abundance for the faithful, nor the ascetic's warning that wealth is inherently corrupting. The answer is simpler and more practical than either extreme: **money is a tool**. The finest tool in the material world for meeting needs, solving problems, and creating possibilities. Wielded wisely, it produces freedom. Pursued as an end in itself, it produces precisely what Solomon described three thousand years ago — vanity. Emptiness. A hunger that no amount of accumulation can satisfy.

The goal of financial freedom, properly understood, is not to accumulate money. It is to accumulate enough of it that money stops running your life. So that you can work where you want, worship without an employer's permission, give without calculating what you can afford, and leave something meaningful behind for the people who come after you.

That is the goal of this book.

Who I Am, and Why That Matters

I am not a credentialed economist. I am not a Wall Street professional. I am a man who arrived in Chicago in 1998 with a hundred dollars, a Toyota Corolla, and a job that paid me to tell people to turn their computers off and back on again. I got fired just after four months. Got hired in a tech recruitment company. Got fired again after four months. Got hired as a junior programmer. Was promoted three times in four years. Then, I got fired. Not a great track record for employment. But then, I put my life-savings, together with money from my dad, and took an exciting but scary first step into investing in real estate.

I purchased a four-plex, renovated it, leased it, and sold it for a $140,000 profit. That transaction changed everything — not because of the money, but because of what it taught me about the difference between income that requires your presence and income that does not. About the difference between working for money and having money work for you.

Fast forward twenty years. I have a beautiful wife and daughter. We carry a net worth putting us in the top 5% of American households. Our passive cash flow covers all our living costs, our giving to church and missions, and vacation travel several times a year. I'm 55 years old. Last year, my primary "work" was teaching a one-hour Martial Arts class at my church. My net worth still grew by nearly half a million dollars.

I am telling you this not to impress you, but to establish something essential: everything in this book is a road map, not a theory. Every principle has been tested in the real world — by me, by the people I have advised, by investors and scholars and ordinary families whose stories appear throughout these pages. The principles work, even though I came upon them by divine providence and experience.

I am also a Christian, and that shapes everything I write here. Not because this is a religious book — it is not, and you do not need to share my faith to benefit from every word of it. But because my faith is the lens through which I understand what money is for, and no honest account of my financial journey would be complete without it. Throughout these chapters, you will find biblical wisdom sitting comfortably alongside compound interest formulas and IRS regulations, and seen properly, they will not be mutually exclusive but reinforcing.

What Stands Between You and Financial Freedom

This book was written for the person who knows they should be doing something different with their money but doesn't know what, or doesn't know where to start, or has started and stopped so many times that the gap between intention and action has begun to feel permanent.

It was written for the thirty-five-year-old who is paying minimum payments on credit card debt and hasn't started an IRA. For the fifty-year-old who has worked hard for three decades and has almost nothing to show for it. For the twenty-two-year-old who is just beginning and wants to avoid the mistakes their parents made. And for the sixty-year-old who still has time — more time than they realize — to build something worth leaving behind.

In the chapters ahead, we will work through every major obstacle between where you are and where you want to be:

The procrastination that costs thousands of dollars per year of delay — quantified, precisely, so you can see what waiting is actually worth.

The debt that functions exactly as the Bible describes it: as slavery, because it assigns the hours of your future to someone else's benefit before they arrive.

The inflation that silently destroys the purchasing power of money left sitting still — and the compound interest that, running in the other direction, turns modest monthly savings into fortunes.

The tax code, which most people experience as an obligation and a few understand as a road map to legal, substantial wealth-building.

The real estate market, which offers a combination of income, appreciation, leverage, and tax advantage that no other common investment can match.

And retirement — not as an event but as a destination, one you can reach with dignity and abundance if you begin walking toward it now, regardless of your starting point.

How to Use This Book

This book is organized in four parts. **Part One, Why You Can't Afford to Wait**, establishes the urgency and the foundation — the case for financial planning, the spiritual orientation that makes it meaningful, and the basic principles that govern every strategy that follows. **Part Two, Clearing the Ground**, works through debt elimination. gaining a wealth mindset, and understanding the genius of compound interest— the infrastructure of financial health. **Part Three, Building the Machine**, covers the core wealth-building strategies: diversification, automation, tax planning, and investing in yourself. **Part Four, The Long-Game Assets,** goes deeper into two of the most powerful vehicles for long-term wealth — rental properties and retirement planning.

Each chapter ends with a concrete exercise. These are not optional extras. They are the mechanism by which the concepts in the text become changes in your actual financial life. A plan that is understood but not implemented is not a plan. It is entertainment.

At the end of every chapter, you should be able to say: I know something I didn't know before, and I have done something I hadn't done before. That accumulation — chapter by chapter, decision by decision, year by year — is how wealth is built.

The Real Goal

Let me be direct about what success looks like at the end of this road, because I think it gets misunderstood.

The goal is not to die rich. **The goal is to live free** — free from the grinding anxiety of debt, free from the vulnerability of a single paycheck, free to give generously and work meaningfully and spend time with the people who matter and serve the causes you believe in, without a financial constraint making every decision for you.

The goal is to be, in the language of Proverbs, a good man who leaves an inheritance to his children's children — not just a financial inheritance, but a demonstrated model of how to steward resources wisely, faithfully, and generously.

The goal, as the prophet Agur prayed, is not poverty and not excess but enough — enough freedom to do what you are actually here to do, for as long as you are here to do it.

That is what the chapters ahead are designed to give you. Not a formula for getting rich. A road map for getting free.

> ***The question is not whether you can afford to build financial freedom. The question is whether you can afford not to.***

Let us begin.

PART ONE

Why You Can't Afford to Wait

CHAPTER ONE

Don't Serve Money —

Let Money Serve You

> *"If you don't find a way to make money while you sleep, you will work until you die."*
> — Warren Buffett

The Right Reason to Want More Money

Let's get something uncomfortable out of the way first.

Money is not the goal. If money becomes your goal — something you chase, worship, or define yourself by — it will eventually betray you. The Bible is direct about this: "For the love of money is a root of all kinds of evil" (1 Timothy 6:10). Financial ruin, broken relationships, moral compromise — these are the predictable destinations for people who pursue wealth as an end in itself.

But here is what often gets lost in that conversation: the love of money is the problem, not money itself. Used wisely, money is one of the most powerful tools for human flourishing ever devised. Solomon — a man who had more of it than anyone — put it plainly: "Money is the answer for everything" (Ecclesiastes 10:19). He didn't mean that money buys happiness. He meant that, in a material world, money is the mechanism through which we meet needs, solve problems, and create possibilities.

Don't love money. Use money to gain freedom.

Ten Reasons You Need a Financial Plan

Before we get to the how, let's be clear about the why. Most people acknowledge in the abstract that they should "get their finances in order." What they underestimate is the specific, concrete, expensive list of things that life is going to throw at them. Here are ten of them.

1. Emergencies Will Happen

Car accidents. Medical crises. Sudden job loss. A 2025 Bankrate survey found that approximately 59% of Americans could not cover a $1,000 emergency expense from savings. Not $10,000 — one thousand dollars. When an emergency hits and there's no cushion, the only options are high-interest credit cards, personal loans, or asking family for help. Each of those options makes the next emergency worse.

2. Debt Is Slavery — and It's Everywhere

"The debtor is slave to the lender" (Proverbs 22:7). Solomon wrote that three thousand years ago, and it has never been truer. Total American consumer debt — excluding mortgages — now exceeds $5 trillion. The numbers behind that headline are even starker. In 2023, according to Experian, the average American carried:

Debt Type	Average Balance
Mortgage	$244,498
Home Equity Loans / Lines of Credit	$42,139
Student Loans	$38,787
Vehicle Loans and Leases	$23,792
Personal Loans	$19,402
Credit Cards	$6,501

You can't build wealth while you're hemorrhaging money to creditors. Getting out of debt isn't just a nice idea — it's the foundation on which everything else is built.

3. You Will Live Longer Than You Think

In 1900, the average American life expectancy at birth was 47 years. Today, that life expectancy is around 78 years. A 65-year-old is expected to live to 84. Whether or not you believe the most optimistic forecasts, the trend is clear: you will probably live longer than your grandparents, and you will need money for those extra years.

Of those who reach age 65, the U.S. Department of Health and Human Services reports that 35% will spend time in a nursing home at some point. The average annual cost of a nursing home now exceeds $112,420. Medicare will not cover it. Your standard health insurance will not cover it. If you haven't planned for this, your options in your eighties are grim.

4. Children Are Extraordinarily Expensive

According to the USDA, a baby born in 2023 will cost an average of $331,933 to raise to age 18 — roughly $16,978 per year. That's before college. Add four years at a state university, and you're looking at well over $100,000 more. Private schools or out-of-state programs? Budget north of $265,000. And if you have a daughter who wants a wedding, the national average in 2025 ran to approximately $36,000. *(With Joy, "Wedding Costs in America," 2025)*

None of these numbers include inflation, which has historically increased college costs at roughly twice the general rate of price growth — approximately 8% per year, meaning the total cost of a four-year degree doubles every nine years.

5 – 10. Cars, Homes, Missions, Legacy, and Retirement

The list continues: a new car now costs an average of $48,978. The median American home price hit $414,900 in Q4 2025, requiring roughly $2,057 per month in mortgage payments at prevailing rates. American Christians, statistically, give about 2.5% of their income to their church — and 25% give nothing at all, leaving global mission work chronically underfunded.

And then there is retirement itself. Consider two people who retire at 65 and live to 85 — a normal life expectancy. Over twenty years, eating three modest meals a day at ten dollars each, they will spend $438,000 on food alone. Where does that money come from? Social Security? In 2024, the median Social Security benefit for those over 65 was below $20,000 a year. The masses didn't plan to fail. They simply failed to plan — because under the old rules, planning wasn't necessary. Under today's rules, it is non-negotiable.

The Four Obstacles Standing Between You and Financial Freedom

Why, given all of this evidence, do so many intelligent people end up financially unprepared? The answer isn't bad luck or a rigged system (though both of those are real). It's four specific, predictable obstacles that derail almost everyone who doesn't deliberately plan around them.

Obstacle #1: Procrastination — "I'll Start Next Year"

There is a famous parable in financial planning circles about two siblings named Jack and Jill.

Jack — never the sharpest student — skipped college. At 18, he started a job and contributed $4,000 per year to an IRA. He did this for eight years, then stopped, never investing another dollar. Total invested: $32,000.

Jill went to medical school. At 26, she began her career and started contributing $4,000 per year to her IRA — the same year Jack stopped. She continued for forty years straight. Total invested: $160,000.

By age 65, assuming a 10% annual return, who had more money?

Jill, who invested five times more money over forty years? No. Jack — who invested only $32,000 over eight years — accumulated $1,019,964. Jill ended up with $973,704. Jack had roughly $46,000 more, despite investing $128,000 less.

> ***It wasn't the money that made him successful. It was time.***

This is the time value of money, and it is the most important concept in personal finance. The math is merciless. If you are 20 years old and want to reach $1,000,000 by age 65 (assuming a 10% annual return), you need to invest just $1,380 per year — about $115 per month. Wait until you're 50, and the same goal requires nearly $32,000 per year, or $2,510 per month. The cost of procrastination isn't just inconvenience — it's quantifiable and enormous.

Starting Age	Monthly Investment	Total Invested	Result at 65
20	$115 / mo	$62,100 total	$1,000,000
30	$264 / mo	$126,720 total	$1,000,000
40	$754 / mo	$210,720 total	$1,000,000
50	$2,510 / mo	$480,000 total	$1,000,000

Assumes 10% average annual return, compounded monthly. For illustrative purposes only.

Even one year makes a staggering difference. A 30-year-old who saves $100 per month until 65 at 10% annually will have $379,664. Start just one year later — at 31 — and that same person ends up with $342,539. The cost of a single year of delay: over $37,000.

There is never a perfect time. You will always have a reason to wait. The mortgage, the kids, the promotion that didn't come, the parent who needs help — life never stops presenting reasons. The only answer is to start now, with whatever you have.

Obstacle #2: Overspending — "Where Did It All Go?"

Consider the Hendersons — a couple earning a combined $60,000 per year who could never seem to save anything. They didn't drive luxury cars. They didn't take exotic vacations. They had no idea where their money went.

Here's what a closer look revealed: each spouse, unbeknownst to the other, was buying coffee and a doughnut in the morning ($6) and a candy bar in the afternoon ($1) at work. Seven dollars each, every working day, for twenty working days a month. That's $280 per month for the household — $3,360 per year, burned on minor daily purchases neither had ever consciously decided to make.

But the real sting: because they had to earn this money before taxes, they needed to generate roughly $4,800 in gross income to produce the $3,360 they spent on coffee and candy. Their unconscious spending habit was costing them nearly five thousand dollars of earning per year.

The problem is almost never income. It's attention. Consumer debt in America has grown from $2 trillion in 2000 to over $17 trillion by 2024. The crisis isn't a shortage of money — it's an epidemic of not watching where it goes.

The Henderson Rule

Before you can build wealth, you have to stop bleeding it. Track your spending for thirty days — not to judge yourself, but to see clearly. Most people find two or three categories where money quietly disappears. Plugging those leaks is frequently worth more than a raise.

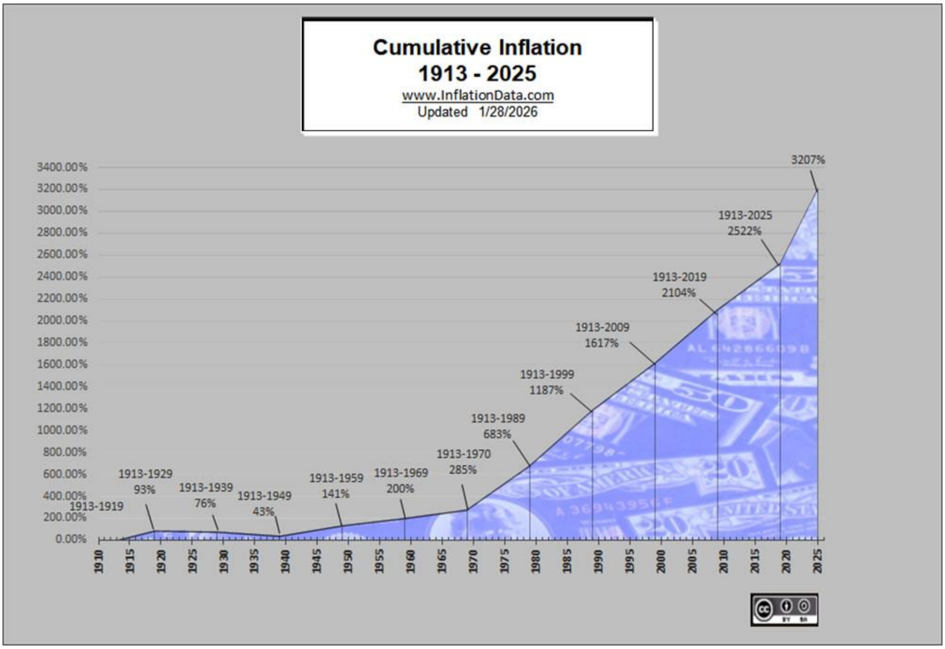
Obstacle #3: Inflation — The Boiling Frog Syndrome

There is a well-known illustration: if you drop a frog into a pot of boiling water, it will jump out immediately. But place it in lukewarm water and gradually raise the temperature, and it will sit peacefully as the heat rises — until it's too late.

Inflation works exactly this way. We've grown so accustomed to gradual price increases that we no longer notice the cumulative damage they inflict. But look at the long-run data and the picture is clarifying: cumulative inflation from 1913 to 2022 totals nearly 3,000%. A dollar that bought a full basket of goods in 1913 buys roughly three cents' worth today.

Here's why this matters practically. According to historical data from Ibbotson Associates, inflation has averaged approximately 3% annually over the long run. At that rate, a 50-year-old earning $50,000 a year, who plans to retire at 65 on that same income, will need a net worth of $1.7 million – and his income in his first year would need to be $95,000 to match the increased cost of living.

This was not always the reality. For most of American history before the 1960s, inflation was negligible and income taxes were minimal. The old playbook — save your money in a bank account, collect your modest interest, retire comfortably — worked because the math worked. It no longer does. The rules of money have changed, and most people are still playing by the old ones.



Obstacle #4: Taxes — The Largest Item in Your Budget

Benjamin Franklin famously observed (c. 1789) that nothing is certain except death and taxes. He was right, but it would not be so keenly felt until 124 years later, when the 16th Amendment was added to the Constitution, granting Congress the power to tax income. According to the Tax Foundation, Tax Freedom Day in 2025 falls on April 23 — meaning that every dollar earned in the first four months of the year goes, collectively, to taxes. Another way to frame it: roughly three hours of every eight-hour workday is spent earning money for the government.

None of this means taxes are avoidable — they aren't. But they are plannable. The strategies we'll cover later in this book — tax-advantaged retirement accounts, capital gains timing, real estate depreciation, and others — are entirely legal and profoundly effective. The difference between a person who ignores taxes and one who plans around them can easily amount to hundreds of thousands of dollars over a lifetime.

The Road Ahead

Here is the core insight of everything that follows in this book: building wealth is not primarily about income. It is about time, behavior, and knowledge — applied consistently, over years.

The people who retire with financial freedom are not, for the most part, people who earned extraordinary salaries. They are people who started early, avoided the worst behavioral traps, understood a few key principles well enough to act on them, and didn't stop. Many of them weren't particularly gifted. They were just patient and intentional.

In the chapters ahead, we'll work through each of the building blocks: eliminating debt, understanding compound interest, building passive income through real estate and index investing, minimizing taxes, protecting your family, and eventually, leaving something behind worth leaving. The math is accessible. The strategies are proven. The only requirement is the willingness to start — and to start now.

There is a quote attributed to Warren Buffett that I keep coming back to: if you don't find a way to make money while you sleep, you will work until you die. That isn't a warning. It's an invitation. The question is whether you'll accept it.

The goal is not to die rich. The goal is to live free.

Chapter 1 Worksheet — Your Financial Snapshot

My current net worth (assets minus liabilities):

The debt that carries the highest interest rate:

My biggest obstacle (circle one): Procrastination / Overspending / Inflation / Taxes

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One concrete action I will take this week:

CHAPTER TWO

The Wealth You Already Have

> *"Seek first His kingdom and righteousness, and all these things will be given to you as well."*
>
> — Matthew 6:33

Most books about money open with a spreadsheet. This one opens with a confession.

In 1998, sitting at a cubicle at my first corporate job, I pulled out a sheet of paper and wrote down what I wanted most: five houses, a net worth of five million dollars, passive income that made work optional. Goals that were, on their face, entirely reasonable. Goals that were also, I suddenly felt, entirely wrong.

Something stopped me. Not a voice, exactly — more like a conviction. I flipped the paper over and started again. This time I wrote: daily Bible reading. Regular prayer. Faithful ministry. Discipling others.

I pursued those goals first. And then, over the years that followed, something unexpected happened: the goals on the other side of the paper came too.

> *"But seek first his kingdom and his righteousness, and all these things will be given to you as well."*
>
> — Matthew 6:33

I share this not as a formula — the universe does not dispense real estate portfolios in exchange for quiet times — but as context. Because everything in this chapter, and everything that follows, rests on a premise: money is a tool, not a treasure. The moment it becomes your treasure, it begins to destroy you. The moment you treat it as a tool — wielded in service of something larger — it becomes one of the most powerful forces for good you can deploy.

Before we talk about what to do with your money, we need to talk about how to think about it.

Gratitude: The Starting Point for Every Dollar

The Bible is unusually blunt about the origin of wealth. It doesn't say wealth comes from hard work, though it commends hard work. It doesn't say wealth comes from intelligence, though wisdom is praised throughout Proverbs. It says wealth comes from God.

King David, at the coronation of his son Solomon, prayed: "Both riches and honor come from You" (1 Chronicles 29:12). Moses, preparing the Israelites to enter a land of abundance, warned them against the most natural of human delusions — the belief that they had earned what they were about to receive: "You shall remember the Lord your God, for it is He who is giving you power to make wealth" (Deuteronomy 8:18). And the apostle Paul, never one to leave a boast unchallenged, asked the Corinthians: "What do you have that you did not receive? And if you did receive it, why do you boast as though you did not?" (1 Corinthians 4:7).

The point isn't that effort is irrelevant — Paul himself described working harder than anyone around him. The point is that the capacity for effort, the circumstances that reward it, the mind that directs it, and the opportunity that catches it are all given, not manufactured. Gratitude isn't just a religious nicety here; it's an accurate accounting of the facts.

Why does this matter practically? Because gratitude and greed cannot occupy the same heart simultaneously. Gratitude says: this is enough, and more than I deserve. Greed says: this is not enough, and I need more. Every financial decision you make flows downstream from one of those two orientations. This is where the journey begins.

The Idolatry Trap: When Money Becomes Your God

Solomon, who had more money than almost anyone in recorded history, was also one of its sharpest critics. He watched what wealth did to people — including himself — and wrote with the weary authority of experience:

> *"Whoever loves money never has enough; whoever loves wealth is never satisfied with their income. This too is meaningless."*

— Ecclesiastes 5:10

The word he used — meaningless, or vanity — is the same word he uses throughout Ecclesiastes for things that seem substantial but turn out to be empty. Money pursued as an end produces exactly the result of any addiction: temporary relief followed by a larger craving. The tolerance grows. The satisfaction shrinks. The hole gets deeper.

Solomon identified three specific ways that greed betrays the people who give themselves to it. First, it never satisfies — the hunger is structural, not incidental, and no amount of accumulation fixes it. Second, it tends to be counterproductive: "The sleep of a laborer is sweet... but as for the rich, their abundance permits them no sleep" (Ecclesiastes 5:12). Greater wealth often brings greater complexity, greater exposure, and greater anxiety. Third, wealth held too tightly is fragile: "Wealth hoarded to the harm of its owners, or wealth lost through some misfortune, so that when they have children there is nothing left for them to inherit" (Ecclesiastes 5:13-14). The man who makes his barns bigger ends up with nothing.

Jesus captured all of this in a single parable. A prosperous farmer kept expanding his storage facilities until he had accumulated enough to retire in comfort. The night he decided to stop building, God told him his life was over. The commentary is brief and devastating: "This is how it will be with whoever stores up things for themselves but is not rich toward God" (Luke 12:21).

When money becomes your goal, money becomes your god.

The New Testament uses unusually strong language here. Paul writes that greed is idolatry (Colossians 3:5). Not like idolatry. Not a form of idolatry. Idolatry. The worship of money is functionally identical to the worship of a false god — it captures your affection, shapes your decisions, demands your time, and promises things it cannot deliver.

The corrective isn't poverty or indifference to financial wellbeing. It's right order. Jesus didn't say money was evil; he said you couldn't serve two masters simultaneously (Matthew 6:24). The question is always which one is actually running the show.

Contentment: The Most Misunderstood Financial Virtue

There is a pervasive and damaging misreading of the biblical concept of contentment. People hear "be content with what you have" and translate it as: accept your lot, stop striving, don't want more. This reading turns contentment into a kind of holy passivity — spiritualized resignation.

That is not what the Bible teaches.

Paul, who wrote the definitive passage on contentment, was anything but passive. He described himself as "working harder than all of them" (1 Corinthians 15:10). He planted churches, trained leaders, crossed continents, argued theology, and wrote a substantial portion of the New Testament, all while making and selling tents to finance his ministry and that of his companions. His contentment wasn't a lack of ambition. It was a settled orientation toward God that remained stable across radically different circumstances: "I have learned to be content whatever the circumstances" (Philippians 4:11). He could be brought low and he could abound. He could face need and he could face plenty. Neither destination destabilized him, because his security wasn't located in either.

This is not the same as accepting poverty when you can change it. As I said to my class, "Accepting poverty, suffering, or abuse when you can change things isn't contentment — it's stupidity." True contentment is emotional stability rooted in something that circumstances cannot touch. It doesn't prevent you from working to improve your situation; it prevents that situation from defining your worth or ruling your peace.

In practical terms, contentment is the antidote to two of the most destructive financial behaviors: compulsive spending (the attempt to fill an internal emptiness with external purchases) and compulsive hoarding (the attempt to secure an internal peace through external accumulation). Both fail. Both have been failing since Solomon documented them three thousand years ago. Contentment, by contrast, produces the mental clarity to make deliberate decisions, the emotional stability to stay the course, and the gratitude that keeps money in its proper place.

For the Christian, contentment is rooted in a personal and saving relationship with Jesus Christ. Knowing that One with all authority in heaven and on earth loves you, has paid the price for your sins, and guarantees your eternal home in heaven, you can find joy, peace, and strength to face anything life can throw at you. Paul wrote, “I can do all things through Him who strengthens me” (Philippians 4:13).

The Bible’s Surprisingly Practical Money Advice

Here is something that will surprise many Christians: The Bible has more to say about money than about heaven and hell. There are approximately 2,350 verses that reference money or possessions, compared to roughly 700–800 combined references to heaven and hell. Eleven of Jesus’s thirty-nine parables deal directly with money or possessions.

Yet most of what gets preached and published in Christian circles on the topic of money covers two topics: tithing and the dangers of greed. Both are real and important. But they leave an enormous amount of practical wisdom on the table — wisdom that has direct application to how you earn, save, invest, and spend. Consider just a sampling of what you can learn from Scripture:

Save Consistently and Patiently

“Whoever gathers money little by little makes it grow” (Proverbs 13:11). “The wise store up choice food and olive oil, but fools gulp theirs down” (Proverbs 21:20). Solomon’s advice to study the ant — which stores in summer what it will need in winter, without a supervisor or external mandate — is the oldest articulation of automated, disciplined saving in any text I know of (Proverbs 6:6-8).

The underlying principle is consistent: gradual accumulation over time, applied with patience and without drama, produces results that spectacular short-term bets almost never do. This is not a peripheral point in the Bible’s financial teaching. It is the central one.

Don’t Be Hasty for Riches

“The trustworthy person will get a rich reward, but a person who wants quick riches will get into trouble” (Proverbs 28:20). I learned this lesson twice, each time at a cost of $100,000.

The first time was in 1998. Reading articles about the Chinese stock market, I persuaded my father to invest $100,000 in a penny stock that every source I consulted said was sure to surge. It doubled in a single day. I was elated, but too busy at work to sell. By the next morning, it had fallen 50%. By the end of the week, it had taken nearly everything with it.

My father’s response, when I called to confess what I had done with his money, was a single question: “Did you learn something?” He didn’t rage. He didn’t demand repayment. He let the lesson cost what it cost.

Twenty years later, I made the same mistake again! — this time with my own money. The dollar amount was the same: $100,000. The experience was essentially identical. The lesson, apparently, takes more than one application.

What I learned, finally and permanently, was this: the stock market is not a lottery, and trying to time it is not investing. It is speculation. The two activities look similar from the outside and produce radically different outcomes over time. The investor who puts money into a low-cost index fund and leaves it alone will, over decades, vastly outperform the speculator who chases the next big thing — and will do so with a fraction of the stress, the risk, and the lost sleep.

Warren Buffett’s Wager

In 2007, Warren Buffett made a bold public wager: he bet $1 million that a simple, low-cost S&P 500 index fund would outperform any collection of hedge funds over the next decade. Only one person on all of Wall Street accepted — Ted Seides of Protégé Partners, who selected five hand-picked hedge funds managed by some of the brightest minds in finance.

The results weren't even close. By the time Seides conceded early in 2017 — before the bet's official end date — Buffett's "boring" index fund had gained $854,000 on the million invested. The hedge funds? Just $220,000. The index fund's total return over the decade was 125.8%, while the hedge funds managed between just 2.8% and 87.7%. Since that bet ended, the pattern has continued: through 2025, more than 95% of actively managed funds continue to underperform their S&P 500 benchmark over any 15-year period, according to S&P Global's SPIVA Scorecard. The boring approach keeps winning.

The culprit wasn't incompetence. It was fees. Hedge funds typically charge 2% annually plus 20% of any profits. Those costs, compounded year after year, quietly devoured returns that even talented managers struggled to replace. Fees turned a difficult challenge (beating the market) into an almost impossible one.

Buffett's lesson was simple: the investor who does nothing — who resists the urge to time the market, chase returns, or pay for "expert" guidance — will, more often than not, beat the one who does everything.

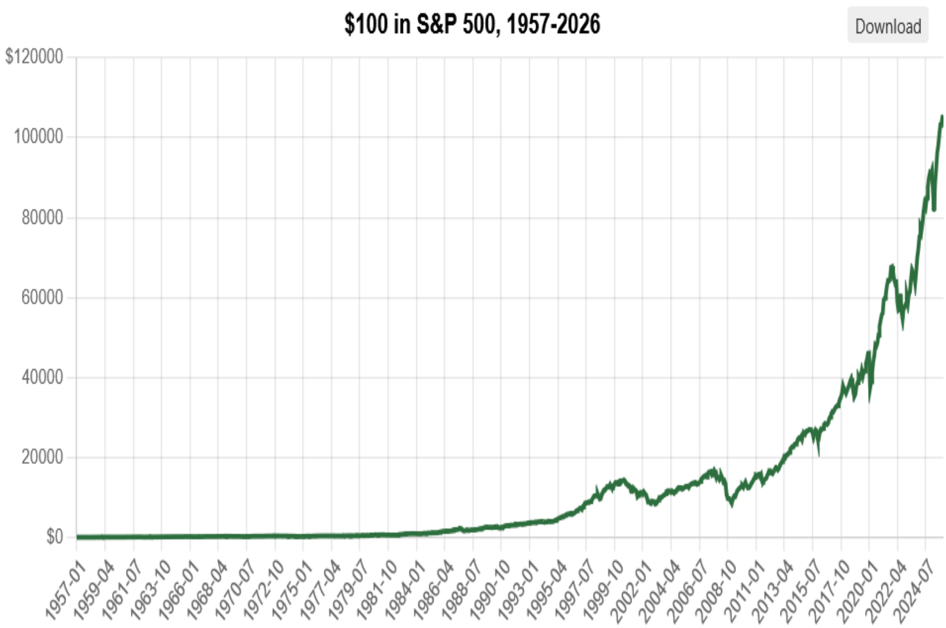
Invest — and Diversify

"Ship your grain across the sea; after many days you may receive a return" (Ecclesiastes 11:1). Solomon's point is simple: money sitting still loses value. Deployed wisely, it grows.

His follow-up verse is equally practical: "Invest in seven ventures, yes, in eight; you do not know what disaster may come upon the land" (Ecclesiastes 11:2). Don't concentrate your risk. Diversification isn't financial timidity — it's the recognition that the future is uncertain and that spreading exposure across multiple assets protects you when any one of them fails.

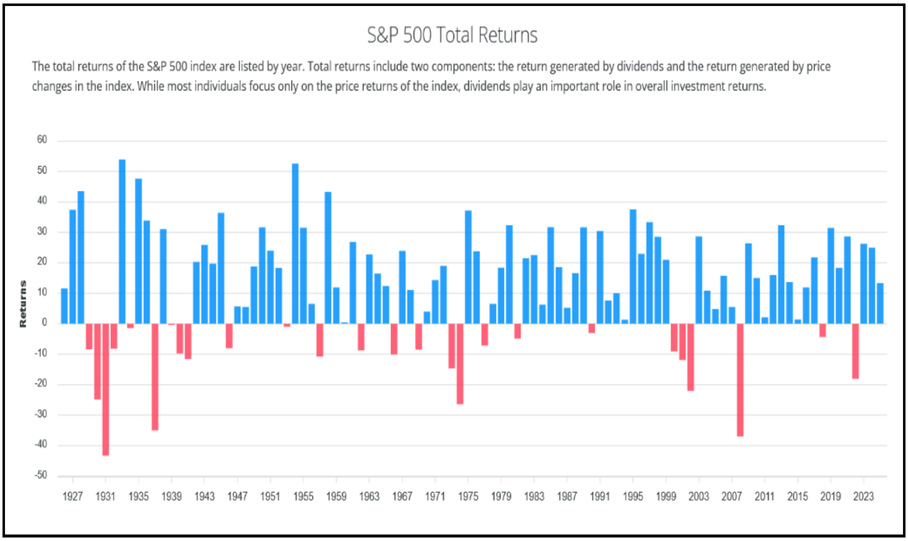
A practical hierarchy of investing for most people looks something like this. First, establish a high-yield savings account for your emergency fund and short-term needs — check bankrate.com for current rates on FDIC-insured online savings accounts, which consistently outpace traditional banks. Second, once you have at least $1,000 you can leave untouched for three to five years, consider a low-cost S&P 500 index fund — such as Vanguard's VOO or Fidelity's FXAIX — which gives you ownership of 500 of the largest and most established companies in America and has returned an average of roughly 10% annually over the past century of market history. Third, as your capital grows, explore real estate — a vehicle so powerful in its combination of income, appreciation, leverage, and tax advantages that it earns its own dedicated chapter later in this book.

The compounding math on even modest investments is staggering. Three thousand dollars in a typical index fund today, left alone, becomes $6,000 in seven years, $12,000 in fourteen, $24,000 in twenty-one. You added nothing. You did nothing. Time and compound interest did the work.



(Source: S&P 500 Data: https://www.officialdata.org/us/stocks/s-p-500)

How did the S&P 500 achieve such exponential growth over this time? It had many more positive (blue bars below) years of return than negative years (red bars below).



(Source: https://www.slickcharts.com/sp500/returns)

Where You Invest	Rate	$1,000 in 5 yrs	$1,000 in 10 yrs	$1,000 in 20 yrs
Piggy Bank / Cash	0%	$1,000	$1,000	$1,000
Bank of America Savings	0.02%	$1,001	$1,002	$1,004
High-Yield Online Savings	4.3%	$1,234	$1,523	$2,321
Vanguard S&P 500 (VOO)	~10%*	$1,611	$2,594	$6,727

**Historical 100-year average; past performance does not guarantee future results. For illustrative purposes only.*

Don’t Overanalyze — Act

"Whoever watches the wind will not plant; whoever looks at the clouds will not reap" (Ecclesiastes 11:4). The farmer who waits for perfect conditions to plant will starve. The investor who waits for the ideal entry point will never invest.

There is a counterintuitive relationship between risk-aversion and actual risk. People who refuse to invest in order to avoid the possibility of losing money end up losing money — slowly, invisibly, through inflation — with mathematical certainty. The person who never starts a business, never buys a rental property, never puts money in the market, has not avoided risk. They have chosen a different kind of risk: the guaranteed erosion of purchasing power over time.

You don't need to understand everything before you act. You need to understand enough. Peter Lynch, whose Magellan Fund averaged roughly 29% annually over thirteen years and consistently outperformed the market, built his philosophy around a deceptively simple idea: invest in businesses you understand, use, and can evaluate from your own experience. Learn the fundamentals, apply them, and adjust as you learn more. Most millionaires, as Thomas Stanley documented in *The Millionaire Next Door*, are not financial geniuses — they are average people who understood a few principles well enough to act on them consistently over decades. *(Peter Lynch, One Up on Wall Street)*

Keep Your Eyes on the Ball

"Plant your seed in the morning and keep busy all afternoon" (Ecclesiastes 11:6). Once you have built something worth having, stay attentive. Wealth that isn't maintained tends to drift.

Donald Trump's first autobiography, *The Art of the Deal*, contains an instructive episode. At the height of his real estate success, Trump took his hands off the controls and began to simply enjoy his empire. He didn't notice the market deteriorating until it was too late. At one point he owed billions of dollars to dozens of banks. He recovered — through a combination of negotiation, sheer tenacity, and favorable timing — but the lesson was expensive.

The goal of this book is to show you systems that largely run themselves, so that financial freedom doesn't require your constant attention. Index funds, automated contributions, rental properties with good management — these reduce the supervision required. But they don't eliminate it. Keep your eyes on the ball.

The Spiritual Priorities That Make the Financial Path Make Sense

Before we move to the mechanics, I want to pause on something personal.

I've been in corporate environments where my faith was a problem. I've had a boss demand I come in while I was in my morning devotions. I've had a supervisor forbid me from sending an email to my team that acknowledged God's provision in growing our company. I've had someone forge my signature on a document I refused to sign because it was a lie — a moment that made clear just how much leverage an employer holds over a person who depends on their next paycheck. Each time, I prayed for the same thing: the freedom to do what I believed God was calling me to do, without my livelihood being used as a lever against my conscience.

Financial freedom, for me, was never really about the numbers. It was about that freedom. The freedom to spend time with God without occupational constraint. To teach and counsel without charging for it. To give generously without calculating what I could afford. To say no to things that conflict with my values without wondering how I'll pay the mortgage.

Your reasons will be your own. But I'd encourage you to name them before you begin. Not "I want to be rich" — that's not a purpose, it's a direction. Something more specific: what will you do with financial freedom that you can't do now? Who will you help? What will you build? What will you say yes to that you currently have to refuse?

The prophet Agur prayed for neither poverty nor riches — just enough to best honor God (Proverbs 30:7-9). That prayer sounds simple until you realize how much wisdom it contains. He understood that too little breeds desperation — the kind that can quietly compromise a person's integrity one small concession at a time. And too much breeds a different danger: the slow drift toward self-sufficiency, where God becomes optional and gratitude becomes nostalgia. The goal is not maximum money. The goal is enough freedom to do what you are actually called and gifted to do.

Let that be your north star as we proceed.

Chapter 2 Worksheet — Your 'Why'

What would you do with your time if money were no longer a daily concern?

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Who would you help, and how?

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What does financial freedom make possible that nothing else can?

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One belief about money I need to change:

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PART TWO
Clearing the Ground

CHAPTER THREE

Breaking Free from the Debt Cycle

> *"The borrower is slave to the lender."*
> — Proverbs 22:7

There is a parable hidden inside the math of credit card interest, and it goes like this.

Imagine two people, each with $10,000. The first person invests theirs in an S&P 500 index fund earning 10% annually. The second person owes $10,000 on a credit card charging 22% interest — the current national average — and makes only the minimum payment each month.

After 49 years, the investor has $1.28 million. The debtor, if they somehow avoided default and bankruptcy, would owe $170 million.

That number is so large it feels theoretical. But the principle it illustrates is entirely real: compound interest is the most powerful force in personal finance, and it works in two directions. When it works for you, it builds wealth while you sleep. When it works against you, it buries you under a mountain that grows faster than you can dig.

Getting out of debt isn't simply a financial goal. It is the prerequisite for every other financial goal in this book.

Why Debt Is Different from What You Think

The Bible uses the word "slave" for the person in debt (Proverbs 22:7). That is not rhetorical flourish. Slavery is a precise description of what debt does: it takes the hours of your future and assigns them to someone else's benefit. Every dollar you earn while carrying high-interest debt has already been claimed before it arrives.

The consequences extend in every direction. Financial debt causes measurable distress — people in chronic debt show higher rates of anxiety, depression, and sleep disorders than those who are debt-free. It limits opportunity — you cannot invest capital you don't have. It strains marriages — financial stress is among the top cited causes of divorce, and the specific pressures of debt (hidden purchases, disagreements over spending, the shame of collection calls) are particularly corrosive. And it compounds negatively over time, with a merciless consistency that most people don't appreciate until they've experienced it firsthand.

22%	**33%**
Average credit card APR in America	Average store credit card APR
As of January 2026	As of January 2026

Let's look at those numbers concretely. Say you have a $1,000 credit card balance at the average 22% APR and you make no payments for twenty years:

Time Elapsed	Amount Owed	% Growth Over Original Debt
Year 1	$1,246	+25%
Year 5	$3,003	+200%
Year 10	$9,019	+802%
Year 20	$81,343	+7,634%

Starting balance: $1,000. APR: 22%. No payments made. For illustrative purposes.

A $1,000 debt, ignored for twenty years, becomes $81,343. This is not a scare tactic. It is arithmetic. And it is why credit card debt — not bad luck, not a weak economy, not a rigged system — is the single greatest destroyer of personal financial futures in America today.

How Credit Card Companies Get Away with It

You may wonder how an industry can legally charge 22 to 33 percent interest in a country where most states cap lending rates at 6 to 10 percent. The answer involves a combination of legal architecture, regulatory history, and political influence that is worth understanding — both because it explains why the problem is structural, and because it confirms that waiting for Congress to fix it is not a strategy.

The short version: most states have usury laws that cap interest rates on private loans. Credit card issuers, however, are largely exempt from these caps. The mechanism was a 1978 Supreme Court ruling that allowed banks to export the interest rate laws of their home state to cardholders anywhere in the country. This is why Citibank, American Express, and most major card issuers incorporated in South Dakota or Delaware — states that eliminated their usury ceilings specifically to attract this business. *(Marquette National Bank v. First of Omaha Service Corp., 439 U.S. 299, 1978)*

There is no federal cap on credit card interest rates. There is no federal cap on fees. The Credit Card Act of 2009 introduced some consumer protections around disclosure and billing practices, but it did not touch rates. In early 2026, President Trump suggested a one-year, 10 percent cap on credit card interest at the World Economic Forum — a proposal that would be modest by historical standards. The financial industry's lobbying response was immediate and predictable. *(World Economic Forum Annual Meeting, Davos, January 2026)*

The practical lesson is this: the system is not designed to protect you from credit card debt. It is designed to profit from it. Your protection has to come from your own decisions.

Five Steps Out of the Debt Cycle

Step 1: Think Differently

Paul's letter to the Romans begins eleven chapters of theology and then pivots to practice with a single instruction: "Do not be conformed to this world, but be transformed by the renewing of your mind" (Romans 12:2). He is saying that behavior change starts upstream. You cannot consistently act in ways that contradict what you actually believe.

If you believe that debt is normal — that everyone has a car payment, that credit card balances are just part of life, that financial stress is unavoidable — you will make decisions that confirm those beliefs. The first step toward debt freedom is deciding that those beliefs are wrong.

This involves several practical disciplines. Read about personal finance — not to find the secret trick, but to internalize the principles until they feel obvious. The names that appear most consistently in the financial self-help canon — Dave Ramsey, David Bach, Tony Robbins, John Bogle — often say similar things, and that repetition is the point. The more a principle gets reinforced, the more confidently you'll act on it. Control your schedule deliberately; the hours you spend watching television or scrolling social media are not neutral. They are hours not spent building financial literacy, not spent on side income, not spent on the habits that compound over time.

Step 2: Believe That Change Is Possible

Debt, especially long-term debt, has a peculiar psychological effect. It begins to feel permanent. The monthly minimum payment becomes just another fixed cost, like rent or utilities, and the idea of a life without it stops feeling real.

I use the image of the tamed elephant. A full-grown elephant could easily uproot the stake it's tied to — but it was tied there as a baby, when it couldn't. Years of conditioning have taught it that the rope holds, even though the rope no longer does. The elephant stays captive not because of the stake, but because it has stopped believing escape is possible.

If you have lived with debt for years, you may have stopped believing, in practice, that a debt-free life is achievable for you specifically. Not as a concept — as a reality. The antidote is not willpower. It's evidence. Start small: pay off the smallest balance you have. Feel what it feels like to eliminate a debt entirely. That feeling — not the dollar amount, but the experience of completion — is more motivating than any spreadsheet.

Step 3: Set Small Goals and Build Momentum

Dave Ramsey's debt snowball method suggests paying off your smallest debts first, regardless of interest rate. From a pure mathematical standpoint, you'd save money by targeting the highest-rate debt first. But personal finance is not purely mathematical — it is behavioral. The emotional reward of eliminating a debt entirely, of reducing the number of creditors from five to four to three, produces momentum that keeps people in the process when the math alone wouldn't.

Set milestones. Celebrate them — verbally, with people who understand what you're doing, and in ways that don't involve spending money. Build the habits of tracking and saving into your daily routine until they feel as automatic as brushing your teeth. As John Soforic observes in *The Wealthy Gardener*: "Those who get wealthy focus on their behaviors." *(John Soforic, The Wealthy Gardener)*

Make a five-year plan. Not because debt freedom takes five years — for many people it takes less — but because the mindset shift that makes debt freedom permanent takes time to consolidate. A change achieved too quickly often reverts. The goal is not just to be out of debt but to have a fundamentally different relationship with money, one that never puts you back in the hole.

Step 4: Distinguish Needs from Wants

You need food. You don't need to eat at restaurants. You need transportation. You don't need a new car. You need to stay healthy. You don't need a gym membership.

This distinction sounds obvious and turns out to be practically difficult, because our culture has spent decades blurring it. Marketing exists to make wants feel like needs, and it does its job well. The discipline of distinguishing between them is not primarily an analytical exercise — you already know the difference, on some level. It is an exercise in honoring that knowledge.

Paul's instruction to "be content with food and clothing" (1 Timothy 6:8) was not an instruction to be miserable. It was an instruction to locate your sense of sufficiency somewhere that advertising cannot reach. While you are in debt, live below what you can technically afford. The gap between your income and your spending is the raw material of financial freedom.

Five Ways We Waste Money (Without Realizing It)

Financial author Tae Kim identifies five patterns of unconscious spending that quietly drain wealth from even disciplined earners. Recognizing them is the first step to stopping them.

1. Convenience Spending. Americans spend an average of $170 a month on food delivery apps alone — nearly $2,000 a year — according to Empower's consumer spending research. The painful truth: almost every convenience purchase is the result of a planning failure upstream. You order delivery because there's nothing easy in the house. The fix is not willpower. It is removing the moments where the expensive choice is your only option. Keep the kitchen stocked. Eat before you travel. Think one step ahead.

2. Forgotten Spending. A CNN study asked Americans to estimate their monthly subscription spending. The average guess was $86. The actual average, when people audited line by line, was $219 — a $133 gap, every month, on autopilot. The business model of subscriptions is designed around your inattention: the autorenew exists because canceling requires effort. The fix: audit your last three months of statements once, then set a calendar reminder every quarter. Ten minutes a few times a year closes the leak permanently.

3. Social Spending. Money that leaves your wallet because other people are in the room — splitting the restaurant bill evenly when you had the salad, attending the work happy hour you didn't want, signing your child up for the expensive activity class because every other parent did. This one is the sneakiest because it doesn't feel like overspending. It feels like being a good friend. The fix: decide your number before you arrive. The worst time to make a financial decision is when you're already in the room and the social pressure is real.

4. Status Spending. Consumer psychologists call it compensatory purchasing — buying things to signal a version of yourself you don't actually feel you are. The average monthly car payment hit $750 in 2025, with more than 20% of Americans paying over $1,000 per month. Nobel Prize-winning economist Robert Shiller has argued that oversized houses represent one of the greatest financial wastes in modern life: we're buying more space than we use, furnishing rooms nobody sits in, and paying to heat and maintain square footage that exists mostly to signal something to visitors. The painful irony: the audience is barely paying attention.

5. Emotional Spending. A 2024 survey found that 44% of Americans admit to buying things specifically to cope with stress or reward themselves emotionally. A third of Gen Z say boredom — not need, not want, but boredom — is the most common trigger for unplanned purchases. Half of millennials and Gen Z regret most of their impulse purchases. They bought it and felt worse afterward. The fix is not fighting the impulse in the moment. It is addressing the stress or boredom that created it.

The common thread across all five: none of them feel like waste when they're happening. That is precisely what makes them dangerous.

Step 5: Act Now

When I moved from Chicago to Dallas, I was in the middle of a real estate transaction with a detailed spreadsheet I'd spent weeks building. My parents reviewed it and said, essentially: what's the hurry? Wait a couple of weeks.

I followed their advice. The deal still closed — but I paid $7,000 more than I would have paid two weeks earlier. Sometimes patience is wisdom. Sometimes it is delay dressed up as caution.

Once you have done your research, made your plan, and prayed through your decision, waiting is not wisdom. It is procrastination with better PR. The time to begin paying down debt is not when things are more settled, or when you're making more money, or when the kids are a little older. It is now, with whatever you have.

The Financial Waterfall: A Sequenced Path Out

Getting out of debt is not just a matter of willpower and frugality. It requires a sequenced strategy — a specific order of operations that maximizes efficiency and builds momentum. The following ten-step framework, sometimes called the Financial Waterfall, provides that sequence.

Step	Action
1	Save a $2,000 starter emergency fund. This is your buffer against the small crises that force people back into credit card debt.
2	Pay off ALL credit card debt. The 22%+ interest you're paying is the single worst return on money you have. Eliminating it is a guaranteed 22% return.
3	Max out your 401(k)-employer match. This is free money — a 50% or 100% instant return. Don't leave it on the table.
4	Build a full 6-month emergency fund in a high-yield savings account.
5	Max out a Roth or Backdoor Roth IRA. After-tax contributions grow completely tax-free.
6	Max out an HSA if eligible. The most tax-advantaged account in the U.S. tax code.
7	Max out 401(k), Solo 401(k), or SEP IRA. Maximize your tax-advantaged retirement contributions.
8	Pay off all remaining non-mortgage debt. Student loans, car loans, personal loans.
9	Fund a taxable brokerage account, or save for a house or college.
10	Pay off your mortgage early. The psychological and practical freedom of owning your home outright is significant.

This sequencing is adapted from frameworks developed by Dave Ramsey (The Total Money Makeover) and Brian Preston (Millionaire Mission, The Money Guy Show), modified to reflect the investment and tax priorities covered in this book.

The sequence matters. Many people skip steps — they start investing in a brokerage account while carrying 22% credit card debt, which is the financial equivalent of filling a bucket that has a hole in the bottom. Each step in the waterfall exists for a reason, and the order ensures that each new action builds on a stable foundation.

Staying Out: The Prosperity Mindset

Getting out of debt is a problem of tactics. Staying out is a problem of identity.

Members of Alcoholics Anonymous don't describe themselves as "recovered alcoholics" — they say "recovering." The distinction is intentional. Recovery is not a destination you arrive at and then leave behind. It is an orientation you maintain, one day at a time, through deliberate practice and honest self-awareness.

Financial recovery works the same way. The behavioral patterns that created debt — unconscious spending, short-term thinking, the belief that more consumption means more happiness — don't disappear the day the last balance reaches zero. They have to be actively replaced by a different set of habits and beliefs.

William "Bud" Post won $16.2 million in the Pennsylvania lottery in 1988 and was $1 million in debt within a year. Multiple houses, vehicles, a plane, legal entanglements, family conflict — within a decade, virtually everything was gone. Post later said he was much happier when he was broke. This is not an unusual story. A substantial fraction of large lottery winners ends up financially worse off within a few years than they were before they won. The money arrived; the financial wisdom to steward it did not. *(H.R. Kaplan, Journal of Gambling Behavior, 1987)*

The goal is not to escape debt. The goal is to become someone for whom debt is simply not a live option — because your habits, your mindset, your systems, and your identity have all moved to a different address.

The remainder of this book is about building that address.

Wealth is not what you make. It is what you keep — and how wisely you deploy it.

Chapter 3 Worksheet — Your Debt Plan

List your debts from smallest to largest balance (debt / balance / interest rate):

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____

Which debt will you attack first? Why?

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Extra amount per month I can apply to debt payoff: $

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Target date to be free of all non-mortgage debt:

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CHAPTER FOUR

Think Like the Rich:

The Genius of Compound Interest

> *"Compound interest is the eighth wonder of the world. He who understands it, earns it. He who doesn't, pays it."*
>
> — Attributed to Albert Einstein

Here is the single most important financial concept you will ever encounter. Not budgeting. Not stock-picking. Not real estate. Not tax optimization. Those all matter, and we will get to them. But they are all downstream from this one idea.

Compound interest.

Albert Einstein — a man who spent his career thinking about the structure of the universe — reportedly called it the greatest mathematical discovery of all time, and the eighth wonder of the world. He may or may not have actually said that. But the sentiment is right. Compounding is the mechanism by which ordinary people, doing ordinary things with ordinary sums of money, end up with extraordinary results.

It is also the mechanism by which ordinary people end up buried in debt they can never escape. The same force. Opposite directions. Which direction it works on you is entirely determined by the decisions you make today.

In this chapter, we are going to look at how compounding actually works — with real numbers, real formulas, and real examples. We are going to look at what separates the people who build wealth from the people who merely earn it. And we are going to give you a simple mental tool — the Rule of 72 — that will let you calculate the power of any interest rate in your head in seconds.

By the end of this chapter, you will think about every dollar differently.

How the Rich Actually Think

There is an important distinction that almost no one draws, but that separates the genuinely wealthy from the people who merely appear wealthy. The distinction is between those who make money and those who keep it — between those who look rich and those who are rich.

The person who looks rich drives a leased luxury car, lives in the largest house their mortgage will allow, and upgrades their wardrobe every season. Their income may be substantial. Their net worth is often surprisingly modest. They have mastered the art of spending at the level of their earnings, which means the moment the earnings stop, so does everything else.

The Millionaire Next Door, finding that most American millionaires live in ordinary neighborhoods, drive modest cars, and accumulate wealth by consistently doing a handful of unglamorous things well. Here is how they think: *(Thomas Stanley and William Danko, The Millionaire Next Door)*

The Habit	What It Looks Like in Practice
Multiple Income Streams	Savings, dividends, rental income, business cash flow, royalties — the rich are never dependent on a single paycheck.
Asset Allocation Thinking	Every dollar is evaluated in terms of what it earns. A dollar in a Bank of America checking account earns 0.02%. The same dollar in an S&P 500 index fund has averaged 10% annually.
Tax Efficiency	The IRS collects the most from wage earners and the least from investors and business owners.
No Wasted Dollars	"The one who is faithful in a very little thing is also faithful in much" (Luke 16:10). The wealthy understand the compounded future value of every dollar.
Asymmetric Risk / Reward	The rich seek investments where the downside is limited and the upside is large.
Invest in Themselves	The average American reads three nonfiction books a year. Most billionaires read fifty or more.

Notice what is absent from that list. There is no entry for “earns a high salary.” There is no entry for “gets lucky.” There is no entry for “times the market correctly.” The habits that produce wealth are, almost uniformly, habits of discipline and delayed gratification — which means they are available to nearly everyone who chooses to adopt them.

The Latte Factor: Where Wealth Hides in Plain Sight

In his book *The Automatic Millionaire*, financial author David Bach introduced an idea he calls the Latte Factor. It begins with an interview he conducted with a young woman named Kim, who insisted she couldn’t afford to invest. She was living paycheck to paycheck and had no surplus.

Bach asked her to walk him through a typical morning. She bought a double nonfat latte ($4.25) and a nonfat muffin ($4.75) every day before work. Nine dollars a day. She had never thought of it as a financial decision. It was just her morning.

Nine dollars a day is $270 a month. $3,240 a year. Bach asked her: if you invested that $3,240 each year into an index fund averaging 10% annually — the S&P 500’s historical average — how much would you have at 65, forty-two years from now?

She guessed $300,000. Bach said no. She guessed $600,000. Bach said no.

The answer, after forty-two years of compounding at 10%, is approximately $1.7 million. And if that investment was made through a 401(k) with even a 50% employer match, the annual contribution becomes $4,860 — and the final figure rises to roughly $2.6 million.

Her lattes were costing her over two and a half million dollars.

This is not an argument against coffee. It is an argument for seeing daily spending in its true light: not as the cost of the item, but as the compounded future value of the money. A $9 morning routine isn't $9. Over a working lifetime, at market returns, it is $1.7 million.

Every dollar you spend has a future value. Every dollar you invest has one too. The Latte Factor is simply a way of making that invisible calculation visible.

Simple Interest vs. Compound Interest: The Math That Changes Everything

To understand why compounding is so powerful, it helps to first understand what it is replacing.

Simple interest calculates earnings on the original principal only, every period. If you deposit $1,000 at 11% simple interest for 30 years, you earn $110 per year on your original $1,000, every year, with no variation. The formula: $FV = PV \times i \times n$. Plugging in the numbers: $FV = \$1{,}000 \times 0.11 \times 30 = \$3{,}300$. You earned $2,300 on your original $1,000.

Now watch what happens with compound interest, where you earn interest not just on your original principal but on every dollar of accumulated interest as well. The formula adds one small but transformational element — the exponent: $FV = PV \times (1 + i)^{n}$.

Same numbers, compound formula: $FV = \$1{,}000 \times (1.11)^{30} = \$22{,}892$. That is not $3,300. It is $22,892 — nearly seven times more — on the same principal, at the same rate, over the same period.

Scenario	Simple Interest	Compound Interest
$1,000 lump sum, 11%, 30 years	$3,300	$22,892
$1,000/yr contribution, 11%, 30 years	$33,000 invested → $33,000 + $33,000 gains	$31,000 invested → $221,913
$400/mo ($4,800/yr), 11%, 30 years	~$180,000	$1,000,103+

Illustrative calculations. Past performance of index funds does not guarantee future results.

That third row is worth pausing on. Saving $400 per month — $4,800 per year — into an index fund at 11% for 30 years produces just over one million dollars. You invested $144,000 total. The market returned $856,000 in compounded growth on top of it. You became a millionaire not through a windfall, not through genius stock-picking, but through the mechanical, patient application of a mathematical principle available to anyone.

The Two Keys to Compounding: Time and Rate

Key #1: Time — The Factor Nobody Can Replace

Consider Darryl and Cheryl, both 22 years old, each with $2,000 per year to invest.

Darryl opens an IRA immediately and contributes $2,000 per year for six years — from age 22 to age 27. Then he stops completely and never adds another dollar. Total invested: $12,000.

Cheryl spends her $2,000 per year for those same six years. At 28, she starts investing $2,000 per year and continues until she is 65 — thirty-seven years of contributions. Total invested: $74,000.

Both accounts earn 12% annually. At 65, who has more money?

Age	Darryl Contributes	Darryl Balance	Cheryl Contributes	Cheryl Balance
22–27	$2,000/yr	Growing...	—	$0
28	Nothing	$18,652	$2,000	$2,240
35	Nothing	$41,233	$2,000/yr	$25,130
45	Nothing	$128,064	$2,000/yr	$113,147
55	Nothing	$397,746	$2,000/yr	$386,516
65	Nothing	$1,235,339	$2,000/yr	$1,235,557

Assumes 12% average annual return, compounded annually. For illustrative purposes only.

They end up with essentially the same amount at age 65. Darryl invested $12,000. Cheryl invested $74,000. Darryl invested $62,000 less and got the same result, because he started six years earlier.

Six years. Not sixty. Six.

The Best Time to Start

The best time to invest was twenty years ago.

The second best time is today.

Not next month. Not after the car is paid off. Not when you're making more money.

Today — with whatever you have.

Key #2: Interest Rate — Small Differences, Enormous Outcomes

The second key to compounding is the rate of return. And here the math is even more counterintuitive than the time factor, because the relationship between rate and outcome is not linear. It is exponential.

Consider what happens when you double the interest rate from 5% to 10%. You might expect to double your returns. What actually happens, over a 20-year period starting with $10,000, is this:

Annual Rate	$10k After 20 Years	Profit	Ratio vs. 5%
5%	$26,533	$16,533	1× (baseline)
10%	$67,275	$57,275	3.5×
15%	$163,665	$153,665	9.3×
20%	$383,376	$373,376	22.6×

$10,000 lump sum investment, no additional contributions. For illustrative purposes only.

Doubling the rate from 5% to 10% doesn't double the return. It more than triples it. This is why the difference between a managed mutual fund charging 1–2% annually in fees and a low-cost index fund charging 0.03% is not a rounding error — it is, over decades, a profound difference in outcome. We will return to this point shortly.

The S&P 500 index has averaged approximately 10.58% annualized returns since its inception in 1957. Backdating to 1928, the figure is essentially 10% per year for nearly a century. That is the rate at which you grow your money when you buy and hold a simple index fund.

The Rule of 72: A Mental Calculator for Any Rate

In 1494, an Italian mathematician and Franciscan friar named Luca Pacioli published a comprehensive treatise on arithmetic and accounting called *Summa de arithmetica*. Hidden in its pages was a formula so elegant and practically useful that it has survived, unchanged, for more than five centuries: the Rule of 72.

The rule is this: divide 72 by an interest rate, and you get the approximate number of years it will take your money to double.

Years to Double = 72 ÷ Interest Rate
Example: At 10%, money doubles every 72 ÷ 10 = 7.2 years

That is the entire rule. The math is that simple. And the implications are profound.

At 10% — the historical S&P 500 average — your money doubles approximately every 7.2 years. Over 49 years, that means your money doubles roughly seven times. $10,000 becomes $20,000 in year 7, $40,000 in year 14, $80,000 in year 21, $160,000 in year 28, $320,000 in year 35, $640,000 in year 42, and $1.28 million in year 49. You added nothing after the initial investment.

Year	Value of $10,000 @ 10%	Value of $10,000 @ 22% (credit card debt)
Year 0	$10,000	$10,000

Year 7	$20,000	$39,000+
Year 14	$40,000	$152,000+
Year 21	$80,000	$591,000+
Year 28	$160,000	$2.3 million+
Year 35	$320,000	$9.0 million+
Year 42	$640,000	$34.9 million+
Year 49	$1,280,000	$135+ million

The 22% column illustrates the debt scenario — what you owe if you carry that debt unpaid. For illustrative purposes only.

The right column makes the point from Chapter Three viscerally clear. At 22% — the average credit card APR — debt doubles every 3.3 years (72 ÷ 22 ≈ 3.3). The same $10,000 that grows to $1.28 million as an investment becomes a $135 million debt obligation, if left to compound unchecked for the same 49 years.

The Manhattan Example: Compounding Across Four Centuries

One of the most instructive illustrations of the Rule of 72 involves one of the most famous transactions in American history.

In 1626, Dutch settlers purchased the island of Manhattan from the Lenape people for trade goods valued at approximately $24. Whatever one thinks of the historical circumstances surrounding that transaction, it offers a remarkable mathematical thought experiment: if those $24 had been invested at a modest 7.2% annual return in 1626, what would they be worth in 2025 — 399 years later?

At 7.2%, money doubles every ten years. Over 399 years, that's approximately 40 doublings. The compound interest formula gives a more precise answer: approximately $21.7 trillion.

The lesson is not about real estate or colonial history. It is about what happens when time and compound interest interact over very long periods. The numbers become incomprehensible. They become national-debt sized. And the difference between having your money on the growth side of that equation versus the stagnation side — or worse, the debt side — is everything.

Mutual Funds vs. Index Funds: Why the Fee Gap Is Actually Enormous

John C. Bogle founded Vanguard in 1974 with a single, contrarian conviction: that most professional money managers, charging significant fees for their expertise, would fail to outperform the market average over time. Not occasionally. Systematically, and predictably.

He was right. According to S&P Global's SPIVA scorecard — the most comprehensive ongoing study of the question — over any 15-year period, more than 95% of actively managed funds underperform their comparable S&P 500 index fund. Not 60%. Not 80%. Over 95%.

Yet those funds charge substantially more. A typical actively managed mutual fund carries an expense ratio of 1–2% annually. The Vanguard S&P 500 Index Fund (VOO) charges 0.03%. That sounds like a trivial difference. It is not.

	Actively Managed Mutual Fund	S&P 500 Index Fund (VOO)
Annual Expense Ratio	1.0%–2.0%	0.03%
Management Style	Active (fund manager picks stocks)	Passive (tracks S&P 500 index)
% Beating Index (15-yr)	< 5%	Is the index
Tax Efficiency	Lower (frequent trading = taxable events)	Higher (minimal trading)
$100k invested, 10% gross return, 30 years	~$1.21M (after 1.5% fees)	~$1.74M (after 0.03% fees)

Row 6 assumes $100,000 initial investment at 10% gross annual return over 30 years, net of respective expense ratios. For illustrative purposes only.

On $100,000 invested at the same gross return over 30 years, the difference between a 1.5% fee structure and a 0.03% fee structure is more than $530,000. Half a million dollars, transferred from your retirement account to the fund manager's pocket, in exchange for performance that almost certainly trails the index anyway.

Most of my long-term investments are at Vanguard for exactly this reason.

Beware of Wall Street's Noise

Not everyone in financial media is trying to help you. Some are trying to use you.

The mechanics are straightforward. A stock promoter acquires a position in a company whose stock they expect to recommend. They then appear on CNBC, or in Money magazine, or on a popular podcast, and tout the stock. Retail investors hear the recommendation and buy. The buying pressure drives the price up. The promoter, who bought before the recommendation, sells into the surge at a profit. The retail investors are left holding a stock at an inflated price that quickly returns to its pre-hype level.

The protection against all of this is simple, boring, and effective: own a diversified low-cost index fund. Don't trade it. Don't watch CNBC for investment ideas. Don't buy individual stocks on the recommendation of anyone who might own them. Stay in the market. Let compounding do its work.

A Practical System: How to Structure Your Money

Tier 1: Immediate Access — Checking

Keep one to two months of living expenses in a checking account at a major bank. The interest rate here is irrelevant — you're not keeping money here to grow it. You're keeping it here for liquidity and convenience: mobile deposit, bill pay, Zelle, easy transfers.

Tier 2: Emergency Fund — High-Yield Savings

Keep three to six months of living expenses in a high-yield savings account. Online banks consistently offer significantly higher interest rates than traditional brick-and-mortar banks because they have no physical branches to maintain — and because rates change frequently, check a site like bankrate.com for a current list of the highest-yielding FDIC-insured options. This money is safe (FDIC coverage is $250,000 per depositor per bank), accessible within a day or two, and actually earning something meaningful while it waits.

The emergency fund is not an investment. It is insurance. Its purpose is to prevent you from tapping investment accounts — or worse, credit cards — when something unexpected happens.

Tier 3: Long-Term Wealth — Index Funds

Money you can leave untouched for at least one year — ideally much longer — belongs in a low-cost S&P 500 index fund. Within this tier, the tax structure of the account matters enormously:

Account Type	Contribution	Growth	Withdrawal
Traditional IRA / 401(k)	Pre-tax (deductible)	Tax-deferred	Taxed as income
Roth IRA / Roth 401(k)	Post-tax (not deductible)	Tax-free	Tax-free after 59½
529 College Fund	Post-tax (usually)	Tax-free for education	Tax-free for qualified education
HSA (if eligible)	Pre-tax	Tax-free	Tax-free for medical expenses
Taxable Brokerage	Post-tax	Subject to capital gains tax	Subject to capital gains tax

Roth IRA 2026 contribution limit: $7,500 ($8,600 if age 50+). Income limits apply. Consult a tax advisor for your specific situation.

The Roth IRA deserves special attention in the context of compounding, because it removes the one force that quietly destroys long-term investment returns: taxes. Contributions are made with after-tax dollars, so there is no upfront deduction. But every dollar of growth — for as long as the account exists — is completely tax-free. So is every qualified withdrawal after age 59½. At a 10% annual return over 40 years, the tax-free compounding doesn't just help. It transforms the outcome entirely.

Here is what that looks like in practice. I opened a Roth IRA for my teenage daughter at Fidelity, funded by her legitimate earnings as an assistant instructor at my Taekwondo school. Starting with modest annual contributions and leaving the account entirely untouched until full retirement age at 67, the compound interest formula projects a balance of approximately $3.6 million — every dollar of it withdrawable tax-free. She will not have earned $3.6 million. Compound interest will have. And because it all lives inside a Roth, the IRS will never touch a cent of it.

Dollar-Cost Averaging: The Strategy That Beats Market Timing

One final practical point: do not try to time the market. Do not wait for the perfect entry point. Do not hold cash because you think the market is about to drop.

For most people building wealth from regular income, the right strategy is dollar-cost averaging: invest a fixed dollar amount at regular intervals — monthly, bi-weekly, whatever aligns with your cash flow — regardless of what the market is doing. When prices are high, your fixed dollar amount buys fewer shares. When prices are low, it buys more. Over time, this averages out your cost per share, and you automatically buy more of what is on sale.

If you receive a lump sum — an inheritance, a bonus, the proceeds from a property sale — the math actually favors investing it all at once rather than spreading it out over months. Studies consistently show that lump-sum investing outperforms dollar-cost averaging roughly two thirds of the time, simply because markets rise more often than they fall and cash sitting on the sidelines earns nothing. The honest caveat is psychological: if the market drops 20% the week after you invest, you need the conviction to leave it alone. If you know yourself well enough to do that, invest the lump sum immediately. If a market drop of that size would cause you to panic and sell, spreading the investment over three to six months is a reasonable concession to human nature — not optimal math, but a strategy you will actually stick to.

More importantly, dollar-cost averaging removes market timing from the equation entirely for ongoing contributions. The single biggest mistake retail investors make — documented repeatedly in behavioral finance research — is selling during downturns and buying during surges. Dollar-cost averaging eliminates both temptations by making investing automatic. Set it up once. Let it run.

Chapter 4 Worksheet — Your Compound Interest Plan

My current monthly savings / investment contribution: $

At my expected return of ___%, my money doubles every ___ years (Rule of 72).

My Latte Factor: I spend $___/day on ____________. Over 30 years at 10%, that equals: $____________.

I will set up automatic monthly investing of $___/month by this date: ____________.

If you do not yet have a Roth IRA, research the eligibility requirements and contribution limits for your income level. If you qualify, identify the date by which you will open one.

QUICK-START GUIDE

7 Days to Your First Financial Move

You don't need to finish this book before you start. Each action below takes less than an hour and costs nothing except attention. By the end of the week, you will have made more deliberate financial progress than most Americans make in a decade.

Day 1 — Know Your Number

Pull out a sheet of paper. Draw a line down the middle. On the left, list every debt with its balance and interest rate. On the right, list every asset: savings, retirement accounts, anything you own outright. Subtract left from right. That number is your net worth — your starting line. Write it down with today's date.

Day 2 — Open a High-Yield Savings Account

If you don't already have one, open a high-yield online savings account today. Vio Bank, Marcus by Goldman Sachs, and Ally Bank are all FDIC-insured and were paying 4.0–4.5% APY in 2025 — roughly 200x the rate of a typical bank account. It takes about 10 minutes online. Transfer even $25 to start. This becomes your emergency fund.

Day 3 — Check Your 401(k) Match

Log into your HR portal. Find out: (1) does your employer match 401(k) contributions, and (2) are you contributing enough to get the full match? If not, increase your contribution today. An employer match is a guaranteed 50–100% return on your money before it enters the market. There is no better investment available to you.

Day 4 — Find Your Latte Factor

Open your bank app and look at last month's transactions. Identify one recurring expense that isn't meeting a core need. Calculate its annual cost. Then visit investor.gov/compound-interest-calculator and see what that same amount invested at 10% would be worth in 30 years. Write that number next to the expense. The goal isn't to eliminate it — it's to make the choice visible.

Day 5 — Open or Fund a Roth IRA

If you are eligible (single filers under ~$161,000 in income), open a Roth IRA today at Fidelity or Vanguard — both are free to open with no minimum. Set up a recurring contribution of whatever you can manage: $50/month, $100/month. Invest it in an S&P 500 index fund. If you already have a Roth IRA, increase your contribution by just $25/month today.

Day 6 — Run Your Retirement Gap

Multiply your current annual spending by 25. That is roughly how much you need saved at retirement to sustain your lifestyle indefinitely (the 4% withdrawal rule). Subtract what you currently have saved. The difference is your retirement gap. You now know the target you're walking toward — and that changes everything. For a more precise calculation, visit longevityillustrator.org.

Day 7 — Write Your 'Why'

On a fresh page, answer three questions: (1) What would you do with your time if money were no longer a daily concern? (2) Who would you help, and how? (3) What does financial freedom make possible that nothing else can? Keep this page. When the discipline of saving and investing feels tedious — and it will — this is what you return to.

After Day 7

You've done more than most people ever will. Now read the rest of this book at whatever pace fits your life. Each chapter builds on what you've started this week. Every chapter ends with a fill-in worksheet — use it. The plan that is acted upon beats the perfect plan that never launches.

PART THREE

Building the Machine

CHAPTER FIVE

Diversify and Automate:

The Architecture of a Self-Running Wealth Engine

> *"Divide your portion to seven, or even to eight, for you do not know what misfortune may occur on the earth."*
>
> — Solomon, Ecclesiastes 11:2

There is a particular kind of freedom that most people never experience — not because it is unavailable to them, but because they don't know it exists.

It is the freedom of a financial system that runs itself. Bills paid automatically. Savings deposited without a decision. Investments growing in the background while you sleep, work, teach, raise children, or pray. A machine, in the best sense of the word, that you build once and that produces income indefinitely with only occasional oversight.

This chapter is about two disciplines that, together, create that machine. The first is diversification: spreading your financial exposure across multiple assets, income streams, and account types so that no single failure can devastate you. The second is automation: removing the need for constant human decision-making from your financial life, so that the right behaviors happen whether or not you remember to initiate them.

Part One: Diversify

Warren Buffett once remarked that wide diversification is only required when investors don't know what they are doing. That sounds like an argument against diversification — until you read the rest of the record. At Berkshire's 2021 shareholder meeting, he told the audience: "In my view, for most people, the best thing to do is to own the S&P 500 index fund."

The S&P 500 index fund is, by definition, a diversification vehicle. It holds five hundred of the largest and most enduringly successful

American companies, spread across every major industry sector. Buffett was not arguing against diversification for ordinary investors. He was arguing against the illusion that ordinary investors are equipped to outperform diversification through individual stock selection.

Solomon put the principle in terms that predate modern portfolio theory by three millennia: divide your portion to seven, or even to eight, because you don't know what disaster may come. Risk mitigation through distribution is not a recent financial innovation. It is ancient wisdom.

Diversification Layer 1: Stock Market Investments

The most intuitive form of diversification is within the stock market itself. Individual stocks are individual bets on individual companies, and the graveyard of once-great companies is extensive: Kodak, which owned photography; AOL, which defined early internet access; Blockbuster, which had a physical presence in every American suburb; Compaq, which built the personal computer industry before being absorbed and forgotten.

I learned this through experience — both the instructive successes and the more instructive failures. I bought Apple stock twice, and both times I sold it when every instinct said not to. Each time, the proceeds paid off a mortgage — an act of obedience to the principle in Romans 13:8 that I felt convicted about. I got the timing right. But I am under no illusion that I got it right through skill rather than grace.

The other side of the ledger tells a more representative story. I bought China Mobile in 1998; the company went bankrupt and I lost everything. I bought Chipotle during a food-safety crisis, believing it would pass quickly; it didn't, and I sold at a loss. I've found more failure than success in individual stocks, and I've read enough to know my experience is typical.

The Index Fund Argument in One Sentence

You are trying to predict, with your limited information and finite attention, which companies among thousands will outperform the market — and the evidence says you will fail at this more than 95% of the time over any 15-year period. An index fund removes the prediction requirement entirely.

The S&P 500 has returned an average of approximately 10% annually for a century — through the Great Depression, World War II, the stagflation of the 1970s, the dot-com collapse, the 2008 financial crisis, and a global pandemic. The index survives because it is self-healing: failing companies are removed and replaced by rising ones. You own the entire American economy's largest players, rebalanced automatically, at a cost of 0.03% per year.

Retirement Accounts: Tax-Advantaged Diversification

Within your stock market investments, the account structure you use is nearly as important as what you hold. Retirement accounts are not just savings vehicles — they are tax-optimization tools that can, over decades, add hundreds of thousands of dollars to your outcome.

Account	Contribution Type	2025 Limit	Employer Match?	Key Advantage
401(k)	Pre-tax	\$24,500 (\$32,500 if 50+)	Yes — free money	Highest contribution limit; employer match is instant return
Traditional IRA	Pre-tax	\$7,500 (\$8,600 if 50+)	No	Tax deduction now; defer tax on growth until withdrawal
Roth IRA	Post-tax	\$7,500 (\$8,600 if 50+)	No	tax-free growth and withdrawals after 59½
SEP IRA	Pre-tax	Up to 25% of net self-employment	Self-funded	Ideal for self-employed; highest

		income (max ~$72,000)		contribution ceiling
HSA	Pre-tax	$4,300 individual / $8,850 family	Sometimes	Triple tax advantage: in, grow, and out — all tax-free for medical

Contribution limits current as of 2026. Income limits apply to Roth IRA eligibility. Consult a tax advisor for your specific situation.

The 401(k)-employer match deserves emphasis: if your employer matches your contributions — even partially — contributing enough to capture the full match is a guaranteed 50% or 100% return on that portion of your investment before it even enters the market. No other investment offers that.

The vehicle that gives you the largest long-term tax benefit is the Roth IRA. While you must pay income tax upfront to gain entry, everything that happens inside — all the years of compounding where most of your wealth is actually built — comes out completely tax-free at withdrawal, provided you are at least 59½ and the account has been open for five years. Unlike traditional IRAs, Roth withdrawals do not increase your taxable income, do not affect your Social Security taxation, do not trigger IRMAA surcharges on your Medicare premiums, and are never subject to Required Minimum Distributions. We will look more closely at each of these advantages in a later chapter.

The one genuine limitation of a Roth IRA is how little you are allowed to contribute each year. For 2026, the limit is $7,500 — or $8,600 if you are age 50 or older. For an account this powerful, that ceiling feels frustratingly low. If your employer offers a Roth 401(k) option, however, you can contribute significantly more — up to $24,500 per year, or $32,500 if you are 50 or older — and enjoy the same tax-free growth and withdrawal benefits. If building tax-free retirement wealth is a priority, and it should be, it is worth checking whether your plan offers this option.

Diversification Layer 2: Cash and Fixed-Income Accounts

Stock market investments are where wealth compounds over the long term. They are not where you keep money you might need next month. In August 2022, the S&P 500 was down more than 25% from its peak. If you had needed money for a major expense at that moment and your only accounts were stock funds, you would have been forced to sell at a loss. The purpose of cash and fixed-income accounts is to prevent that scenario.

Account Type	Typical Rate (2025)	Role in Your System
Bank Checking (BofA, Chase, etc.)	0.01%–0.05%	Daily liquidity only. Keep 1–2 months of expenses.
High-Yield Online Savings (Vio Bank, etc.)	4.0%–5.0% APY	Emergency fund (3–6 months of expenses). FDIC-insured.
Certificates of Deposit (CDs)	4.0%–5.5% APY	Slightly better rates, but money is locked for the term.
Treasury I-Bonds	Varies with inflation	Inflation-protected. $10,000 annual limit per person.
Money Market Funds (brokerage)	4.5%–5.2% APY	Liquid and slightly higher yield than savings.

Diversification Layer 3: Multiple Income Streams

The deepest form of diversification is not within a single asset class — it is across the entire structure of how money comes to you. The wealthy do not depend on a single paycheck. They build multiple streams: some active, some passive, some large, some small.

Income Type	Active or Passive?	Examples
Earned / Employment	Active	Salary, wages, freelance work. The most common starting point. Subject to the highest tax rates.
Dividends	Passive	Regular cash payments from stocks or ETFs. A high-dividend ETF (e.g., ETW) can generate substantial monthly income.
Real Estate Cash Flow	Mostly Passive	Net rental income after mortgage, taxes, insurance, and HOA. With professional management, approaches true passivity.
Business / Royalties	Varies	Franchise fees, licensing income, online subscription revenue. Can become truly passive once systems are established.
Tax Savings	Passive	Real estate depreciation, business deductions, Roth conversions — all reduce your effective tax bill.
Credit Card Rewards	Passive	Cash-back programs on business spending generate tax-free rebate income.

The real estate example deserves special attention because its tax treatment is unusually favorable. A rental property worth $275,000 can be depreciated over 27.5 years — a non-cash deduction of approximately $10,000 per year against rental income. The property doesn't actually lose value; the IRS simply allows you to treat it as though it does, and that paper deduction shelters real cash from real taxes.

Here is what that looks like in practice. On a property generating $22,000 annually in rent, you subtract mortgage interest ($11,000), depreciation ($10,000), property tax ($5,000), insurance ($1,000), and HOA ($500). Your taxable rental income drops from $22,000 to negative $5,500. You collected $4,500 in actual net cash flow — and owe zero taxes on it. That negative figure is a passive activity loss that carries forward each year, continuing to shelter income until you show a taxable gain.

Now extend the timeline. When your mortgage is eventually paid off, your net cash flow more than doubles. You own a property that has historically appreciated at roughly 5% per year, meaning a $275,000 home becomes worth over $1 million in thirty years. And throughout that period you will have paid very little tax on the income it generated. The growing cash flow also provides a financial buffer against market downturns — passive income that doesn't depend on stock prices.

The final advantage belongs to your heirs. When they inherit the property, the cost basis resets to its current market value — eliminating all accumulated capital gains and depreciation recapture for most estates. They receive a fully appreciated, income-generating asset with a clean tax slate. It is, in every sense, one of the best financial gifts you can leave behind.

Part Two: Automate

The human body is a masterpiece of automation. Your heart beats without instruction. Your lungs expand and contract without a thought. Without this automation, you would not survive an hour; you would be too busy managing basic biology to do anything else.

Personal finance works the same way, once you build it correctly.

The goal is a financial system that pays your bills, saves a portion of your income, invests the surplus, and grows your wealth — automatically, consistently, without requiring a monthly decision or moment of willpower. When money management becomes as automatic as breathing, you stop making financial mistakes caused by inattention, emotion, or procrastination.

Simplify first, automate second. This is the foundation of a robust financial strategy.

The Automated Financial Cascade

Here is the full system, step by step. Each layer feeds the next, creating a cascade where money flows from income through savings to investment with minimal friction and no required decision-making once the system is in place.

1. Income arrives in your primary checking account — your operating account for daily life. Keep one to two months of expenses here.

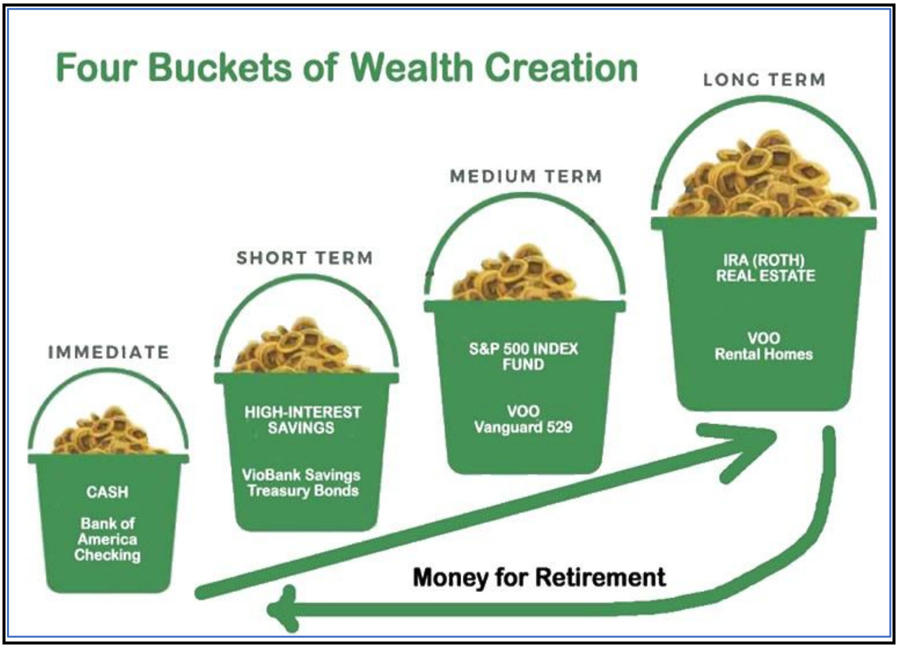
2. Bills are paid automatically. Connect every recurring bill to your checking account (e.g. Bank of America checking) or a dedicated credit card for auto-pay. Set the credit card to pay in full monthly, automatically.

3. A fixed percentage transfers automatically to your high-yield savings account (e.g. Viobank.com Online Savings Account). Ten percent is a strong baseline. This is the primary lesson of George Clason's *The Richest Man in Babylon*: pay yourself first.

4. When your emergency fund is fully funded (to cover 3, 6, or 12 months of expenses), the overflow automatically transfers to your brokerage account, flowing into a low-cost S&P 500 index fund (e.g. VOO or VFIAX at Vanguard) via automated, recurring purchases.

5. Your brokerage account contains multiple sub-accounts, each with automated contributions: a general index fund account, Roth IRAs for yourself and your spouse, a 529 or custodial Roth for a child if applicable.

6. Dividends and distributions are set to automatically reinvest. Every dollar of income from your holdings buys more shares — compounding not just your principal and returns, but your dividend stream as well.



The power of this cascade is not in any individual step. It is in the combination: money always moves in the right direction, at the right time, without requiring a decision.

Why You Cannot Time the Market — and Why It Doesn't Matter

Dollar-cost averaging eliminates one of the most common and costly investor mistakes: trying to time the market.

Here is the mathematical cost of trying. According to Hartford Funds research on S&P 500 returns from 1994 to 2023: an investor who stayed fully invested throughout that period saw $10,000 grow to $181,763. An investor who missed the ten single best days in that thirty-year period ended up with only $83,272. That's 54% less. If they missed the best thirty days out of those thirty years, their return would be a whopping 83% less.

Scenario	$10,000 grows to...	Return vs. Fully Invested
Fully invested — all 30 years	$181,763	Baseline (100%)
Missed the 10 best days	$83,272	54% less
Missed the 20 best days	$48,874	73% less
Missed the 30 best days	$30,889	83% less

Source: Hartford Funds, based on S&P 500 data 1994–2023. Past performance does not guarantee future results.

The market's best days tend to cluster around its worst days — during periods of maximum uncertainty and fear, when the temptation to sell is strongest. The investor who exits to avoid a downturn frequently misses the sharpest recoveries. Dollar-cost averaging sidesteps the entire problem: you buy every month, in good markets and bad, purchasing more shares when prices are low and fewer when prices are high.

Simplification: The Often-Overlooked Third Leg

Automation fails when there is too much to automate. The person with eleven credit cards, seven savings accounts at different banks, four brokerage accounts at three different firms, and a spreadsheet required to track it all has not built a system. They have built a second job.

The financial life that runs smoothly is the financial life that is simple:

- **Credit cards: be purposeful, not minimal.** The right number of cards is not necessarily one or two — it is however many you can manage, pay off in full every month, and justify with a specific purpose. I carry four: an American Express Blue Card that I have held for over twenty years, which anchors my credit history; a Citi Costco card for its high cash back on Costco purchases; a Chase Amazon card for its cash back on Amazon; and a Chase Sapphire Preferred for travel and transfer points. Each card earns its place. Don't carry cards that don't — and never carry a balance.

- **Bank accounts: one of each.** One checking account for daily operations, one high-yield savings account for your emergency fund, and one primary brokerage account for investments. If you run a business, add a separate business checking account to keep income streams clean. For your brokerage, Vanguard is my first recommendation for both retirement and non-retirement accounts, with Fidelity and Schwab as equally solid alternatives. All three offer self-directed, low-cost index funds.

- **FDIC coverage: don't over-engineer it.** The FDIC insures up to $250,000 per individual and $500,000 per couple per bank — there is no need to scatter money across multiple institutions below those thresholds. One local bank for daily operations and bill payment; one online bank such as Vio Bank for your emergency fund at a higher yield. That is all you need.

- **Old 401(k)s: consolidate them.** If you have retirement accounts sitting at former employers, roll them into a single Rollover IRA where you can invest in a low-cost index fund like Vanguard's S&P 500 ETF (VOO). Forgotten 401(k)s are not merely inconvenient — they can eventually be transferred to the state as unclaimed property, and in the meantime they sit outside your investment strategy, unmanaged and unoptimized.

The goal is a financial system small enough to be understood at a glance and simple enough to be managed in an hour per month. When it reaches that level of simplicity, it can be fully automated — and when it is fully automated, it runs whether or not you are paying attention.

That is the machine. And the machine, once built, is what makes financial freedom not just possible but durable.

Chapter 5 Worksheet — Diversification & Automation Audit

List every source of income you currently have:

____

____

____

What is your single biggest financial concentration risk?

List every bill or savings action that currently requires a manual step:

Which of those can be automated, and by what date?

CHAPTER SIX

Making Peace with Uncle Sam

How to Stop Dreading April 15th — and Start Profiting from the Tax Code

> *"Earning is not the only way to make money. You can make money by reducing expenses — and there is no greater expense than taxes."*
>
> — Eugene Han

Every April, millions of Americans open an envelope from the IRS and feel that familiar mixture of dread, confusion, and outright resentment. It's the same feeling that drove patriots to dump tea into Boston Harbor in 1773 — the visceral objection to handing over hard-earned money to a government that seems to spend it in ways you never approved. The difference between then and now is that today, if you understand the rules of the game, you can legally keep far more of your money than you might ever have imagined.

Here's the number most people never fully reckon with: according to a 2024 study, the average Texan will hand over roughly 37 percent of their lifetime earnings to taxes. Tax Freedom Day — the date when the average American has theoretically earned enough to cover the entire year's tax bill — falls around mid-April. For nearly four months every year, you are working not for yourself, but for federal, state, and local governments.

The good news: the code is not just a set of obligations. It is also a roadmap of incentives — a system designed, often deliberately, to reward certain behaviors like investing, owning a business, and saving for retirement. Those who learn to read that roadmap don't just avoid paying too much; they use the tax code as an engine for building wealth.

A Note on Tax History

The income tax has existed in its current form since February 3, 1913, when the Sixteenth Amendment gave Congress permanent authority to tax income. In the century since, top marginal rates have swung from 1% to 94% and back again — cut dramatically under Kennedy, Reagan, Bush, and Trump, and raised under Roosevelt, Truman, and Clinton. The trajectory has never been straight in either direction.

This matters for one practical reason: tax policy is not carved in stone. It is negotiated, contested, and periodically overhauled. The strategies in this chapter are legal and effective today — but the investor who stays educated and nimble will always find opportunities that the passive taxpayer misses.

Why Taxes Exist: The Four R's

1. Revenue

The most obvious purpose: taxes fund the roads you drive on, the schools your children attend, the courts that protect your contracts, and the military that guards your borders.

2. Redistribution

Taxes transfer resources from higher-income households to lower-income ones through progressive tax rates and social programs.

3. Repricing

Governments use taxes to change behavior. Cigarette taxes discourage smoking. Proposed carbon taxes aim to reduce greenhouse-gas emissions. Conversely, tax breaks for retirement savings and homeownership are government nudges toward behaviors considered socially beneficial.

4. Representation

This is the most historically profound purpose. "No taxation without representation" was not merely a colonial slogan; it captured a deep truth about power. When citizens pay direct taxes, they demand accountability from their governments.

How Do U.S. Taxes Compare?

As a share of GDP, Americans pay relatively low taxes — the U.S. ranks 32nd out of 38 OECD (i.e. developed) nations. But 44% of U.S. tax revenue comes from personal income taxes, compared to just 24% on average in other developed countries. In America, employees bear a disproportionately heavy share of the tax burden. The lesson is not to complain — it's to move up the ladder from employee to employer to investor.

The Great Divide: Employee, Employer, Investor

Warren Buffett, the legendary investor from Omaha, once quipped that he pays a lower tax rate than his own secretary — 17.4% on his dividend income versus 35.8% on her wages. His point was not to brag; it was to illuminate a structural feature of the American tax code that most people never learn about until it's too late to act on.

The code effectively divides Americans into three economic tiers, each taxed at a different rate:

Category	Primary Tax	Key Advantage
Employee	Up to 37% ordinary income tax	Employer pays half of FICA
Self-Employed / Employer	Ordinary income, minus deductions	Wide range of business deductions
Investor	0–20% long-term capital gains	Tax deferred or zero until sale

The difference between these tiers is not a matter of luck or injustice — it's a matter of financial literacy and intentional planning. Your goal, over time, should be to migrate from the employee column toward the investor column.

Capital Gains: The Investor's Best Friend

What Is a Capital Gain?

When you buy an asset — a stock, a rental property, a business — and later sell it for more than you paid, the profit is called a capital gain. The IRS taxes that gain, but crucially, only when you sell. While you hold the asset, no tax is due, regardless of how much it has appreciated.

Short-Term Capital Gains (Held Less Than One Year)

Taxed at exactly the same rates as ordinary income — up to 37% at the highest bracket. This is the tax fate of the impatient investor who buys and sells quickly. There is almost never a good reason to sell a winning investment in under a year.

Long-Term Capital Gains (Held More Than One Year)

Here is where the investor's advantage becomes vivid. The long-term capital gains rates for 2025 are:

Filing Status	0% Rate	15% Rate	20% Rate
Single	Up to $48,350	$48,351–$533,400	Over $533,400
Married Filing Jointly	Up to $96,700	$96,701–$600,050	Over $600,050
Head of Household	Up to $64,750	$64,751–$566,700	Over $566,700

Let that sink in: if you are a single filer earning under $48,350 in total taxable income, you owe zero federal tax on your long-term investment gains. That is not a typo. And at the 15% bracket, compare this against the 32% that earned income faces above $197,000. The spread is 17 percentage points — a colossal advantage for the patient investor.

The basic rule: Don't sell your investment for any period shorter than one year and one day.

Three Strategies to Legally Slash Your Capital Gains Tax

Strategy 1: Use Tax-Advantaged Retirement Accounts

Accounts like 401(k)s, traditional IRAs, SEP-IRAs, and Roth IRAs allow investments to grow without triggering capital gains taxes every time you buy or sell inside the account even if you do it under a year. The Roth IRA deserves special mention. Because you fund it with after-tax dollars, all growth and qualified withdrawals are completely tax-free.

Strategy 2: Hold as Long as Possible

Every day you hold a winning investment without selling is another day you don't owe the IRS anything. The wealthiest investors in history — Buffett chief among them — have built fortunes in part by doing almost nothing: buying high-quality assets and refusing to sell. As Buffett has observed, a dollar never paid in taxes compounds indefinitely.

How does Buffett Pay His Bills?

One might ask if Warren Buffet simply buys and holds and never sells his stocks, where does he find the money to pay his bills? Great question! Remember, Buffet is also a business owner and receives a **salary**, albeit a modest $100,000. He also receives hundreds of millions in **dividends** from his stock holdings. He also owns other assets, like insurance, railroads, and utilities that produce a huge amount of **cash flow**. And while he rarely sells his stocks, he does sell from time to time to reallocate his holdings.

Strategy 3: Harvest Losses to Offset Gains

If you have investments that have declined in value, you can sell them to “realize” a capital loss, which offsets an equivalent amount of capital gains elsewhere in your portfolio. If your losses exceed your gains in a given year, you can deduct up to $3,000 against ordinary income, and carry the rest forward to future years. One important caveat: after you sell a position at a loss, you must wait at least 30 days before buying the same or substantially identical security back. This rule, known as the wash-sale rule, prevents you from claiming the loss while never actually exiting the position. The wash-sale rule does not apply if you sell a position for a gain.

Real Estate: Special Rules, Special Opportunities

Your Primary Residence

The tax code bestows a remarkable gift on homeowners: if you have lived in your primary residence for at least two of the past five years, you can exclude up to $250,000 in profit from capital gains tax (or up to $500,000 if you are married filing jointly). For many American families, this represents the single largest tax-free transaction of their lives.

Investment Property and the 1031 Exchange

Rental properties and investment real estate face a more complex tax landscape. When you sell, you owe capital gains tax on your profit — but also a 25% “depreciation recapture” tax on the deductions you claimed over the years. Together, these can consume 40 cents of every dollar of gain.

The 1031 Exchange (also called the Starker Exchange) offers a legal escape hatch. By reinvesting the proceeds from a property sale into one to three “like-kind” properties within 180 days, you can indefinitely defer both the capital gains tax and the depreciation recapture tax. Savvy real estate investors use this strategy repeatedly throughout their lifetimes, pyramiding their holdings without ever triggering a tax bill — and ultimately passing properties to heirs through a stepped-up cost basis, which can eliminate the deferred taxes entirely.

Depreciation: A Hidden Treasure in Rental Property

The IRS allows rental property owners to deduct 1/27.5 of the property's value each year as a "depreciation" expense — even if the property is appreciating in market value. On a $275,000 rental home, that's a $10,000 annual deduction. Over 27.5 years, you shelter $275,000 of income from taxes. This is one of the most powerful tax benefits available to ordinary investors.

The Self-Employed Advantage: A Treasure Chest of Deductions

Retirement Plan Contributions

A solo 401(k) allows you to contribute up to $72,000 per year in 2026 (combining employee and employer contributions), every dollar of which reduces your taxable income immediately.

Home Office

The portion of your home used regularly and exclusively for business is deductible — including the proportional share of rent or mortgage interest, utilities, insurance, and repairs. A 15% home office means 15% of your electricity bill is a business expense.

Health Insurance Premiums

Self-employed individuals can deduct 100% of health, dental, and qualifying long-term care insurance premiums. Given the staggering cost of healthcare, this deduction alone can save thousands annually.

Vehicle, Travel, and Meals

Business-related driving, travel, and client meals (at 50%) are deductible with proper documentation. These deductions accumulate quickly for anyone who regularly travels for work.

Education and Professional Development

Courses, books, and seminars that maintain or improve skills in your current business line are deductible. The IRS is essentially subsidizing your self-improvement — provided it is tied to your existing work.

The QBI Deduction

The Tax Cuts and Jobs Act of 2017 introduced the Qualified Business Income deduction, which allows eligible self-employed individuals and pass-through business owners to deduct up to 20% of their business income. Note: As of early 2026, the 20% Qualified Business Income (QBI) deduction, originally set to expire under the Tax Cuts and Jobs Act (TCJA), has been made permanent by the One Big Beautiful Bill Act (OBBBA).

Tax-Advantaged Savings Vehicles: Making Every Dollar Work Harder

The 529 College Savings Plan

Contributions grow tax-free, and withdrawals for qualified educational expenses — tuition, books, room and board, even K–12 private school tuition (up to $10,000 per year) — are entirely tax-free. The plan is also remarkably flexible: the beneficiary can be changed, contributions can be "superfunded" (up to five years of annual gift exclusions in one lump sum), and since 2024, unused balances of at least $35,000 can even be rolled over into a Roth IRA for the beneficiary after 15 years.

Thanks to the One Big Beautiful Bill Act (OBBBA), signed into law on July 4, 2025, the annual withdrawal limit for K-12 expenses doubled from $10,000 to $20,000 per beneficiary beginning in tax year 2026 — meaning I can now withdraw up to $20,000 per year tax-free for her private school. The OBBBA also significantly broadened what qualifies: beyond tuition, 529 funds can now cover curriculum materials, books, online educational tools, tutoring, standardized test fees, dual enrollment fees, and educational therapies for students with disabilities. Withdrawals for college and graduate school remain unlimited and tax-free, and whatever remains after her education can roll over into her Roth IRA — also tax-free — or be transferred to her future children.

The Tax Benefit of Hiring Your Own Child

Here is a three-part strategy that, implemented correctly, is worth far more than the price of this book.

I operate a Taekwondo school. My daughter is a black belt and serves as one of my junior instructors. I pay her approximately $12,000 per year for legitimate, documented work — and because her earned income falls below the standard deduction threshold, she owes no federal income tax on it. I, however, can deduct the full $12,000 as a legitimate business expense. One transaction: her wages are tax-free to her and tax-deductible to me.

That $12,000 goes directly into a Vanguard 529 account invested in a low-cost Total Stock Market Index Fund, where it grows completely tax-free and funds her education and retirement as described in the previous section.

To summarize: I receive a business deduction, pay no tax on the income, fund her entire education tax-free, and seed her retirement account — all from the same dollars.

A few important notes. For this strategy to pass IRS scrutiny, the work must be real and documented, the wages must be reasonable for the role, and payroll must be handled properly. The IRS examines family employment arrangements closely, and the strategy only works if it is executed correctly. Note also that state tax treatment varies — while distributions are federally tax-free, some states have not yet conformed to the OBBBA changes, so check with your CPA about your specific state's rules. Consult a qualified tax advisor before implementing this strategy — but do implement it, because when done right, it is entirely legal and remarkably efficient.

The Health Savings Account (HSA)

For those enrolled in an IRS-approved High-Deductible Health Plan (HDHP), the HSA offers what financial planners call a "triple tax advantage": contributions are tax-deductible, growth is completely tax-free, and withdrawals for qualified medical expenses are tax-free as well. That combination — pre-tax in, tax-free growth, tax-free out — makes the HSA the most tax-efficient savings vehicle in the entire U.S. tax code for those who qualify. After age 65, an HSA functions like a traditional IRA: withdrawals for any purpose are taxed as ordinary income, but the ongoing ability to use funds tax-free for medical expenses makes it uniquely flexible.

One important limitation: the HSA requires enrollment in an HDHP. Faith-based health-sharing ministries — including Samaritan Ministries and Medishare, which my family uses and values — do not qualify, because the IRS does not classify them as insurance. If you participate in one of these ministries, the HSA is not available to you.

That is a real tradeoff worth factoring into your decision, though for many believers the community, values, and cost savings of a sharing ministry more than compensate.

Gift and Estate Planning: The IRS's Generous Limits

Every year, you can give up to $19,000 per person (2025) to as many people as you wish without triggering the gift tax. A married couple can jointly give $38,000 per recipient. Beyond the annual exclusion, the lifetime exemption allows an individual to transfer up to $13.99 million in assets before any federal gift or estate tax applies. For most families, disciplined use of annual gifting — particularly to fund 529 plans or Roth IRAs on behalf of children and grandchildren — can transfer substantial wealth across generations entirely tax-free.

Getting Your Inheritance Early

Some of you may be wondering: "I love the idea of receiving my inheritance earlier — but why would my parents ever agree to it?"

Here is the case to make. The current lifetime gift tax exemption is approximately $13.99 million per individual under the 2025 One Big Beautiful Bill Act — meaning your parents can transfer nearly $14 million over their lifetime before the federal government takes its 40% cut of anything above that threshold. There is no guarantee this exemption will increase in future years, particularly given the trajectory of the national debt.

But here is the more immediate opportunity: each year, the IRS allows your parents to give up to $19,000 per person — $38,000 as a couple — to as many recipients as they wish, completely free of gift tax and without touching the lifetime exemption at all. That means a married couple with two adult children and four grandchildren could transfer $228,000 per year, every year, without a single dollar going to the government.

If your parents love you more than they love the government, they may be persuaded to distribute your inheritance earlier, up to the annual limit each year.

In my own case, the conversation was not difficult. By helping my parents grow their net worth through strategic investments — a fivefold increase over twenty years — I had already demonstrated that the money would be well stewarded. They were glad to share some of it with my family while they were alive to see it put to use.

The Takeaway: Play the Long Game

The tax code is long, complex, and frequently revised — but its fundamental logic has been consistent for decades. It rewards patience (long-term capital gains), enterprise (business deductions), planning (tax-advantaged accounts), and investment (favorable capital gains rates). It penalizes passivity and short-term thinking.

You do not need to become a tax attorney to benefit from this understanding. You need three things: a competent CPA or tax advisor who works with investors and business owners; a basic literacy in the strategies described in this chapter; and the discipline to implement them year after year.

Every dollar you legally keep from the IRS is a dollar that can compound in your investments for decades. At a 10% average annual return, a $10,000 tax saving today becomes $174,000 in 30 years. Making peace with Uncle Sam is not about resentment or evasion — it is about understanding the rules of the game well enough to play them to your full legal advantage.

Chapter 6 Worksheet — Your Tax Action Plan

Do you contribute enough to your 401(k) to capture the full employer match? Yes / No

____

Do you have a Roth IRA? If not, are you eligible? (Income limit ~$161k single / ~$240k married)

____

One tax-loss harvesting opportunity I currently have:

____

____

If self-employed — one deduction I am not currently claiming that I should be:

____

____

CHAPTER SEVEN

Invest in Yourself

The Most Valuable Asset You Will Ever Own Isn't in Your Portfolio

> *"Human capital is the sum total of skills embodied within an individual. It is what you would be left with if someone stripped away all of your assets and left you on a street corner with only the clothes on your back."*
>
> — Charles Wheelan, Naked Economics

When I made my first serious money in real estate, I had a decision to make about what to do next. I could have coasted. Instead, I got my Texas real estate license, studied tax law, attended financial seminars, read everything I could find on landlording, and kept learning as though I were still starting out. That habit — treating knowledge as the asset that generates all other assets — has compounded over the years in ways that no balance sheet fully captures. Every deal I have done, every mistake I have avoided, every opportunity I recognized early enough to act on, traces back not to money I had but to something I had learned.

The most reliable predictor of long-term financial success is not income, inheritance, or luck. It is human capital — the accumulated sum of what you know, what you can do, and how well you can apply both under pressure. Study the biographies of people who have built lasting wealth from modest beginnings, and a pattern emerges almost without exception: they invested relentlessly in themselves before they had much of anything else to invest.

Bill Gates could lose every cent of his net worth tomorrow — and he would rebuild it. Not because he is lucky, but because the knowledge, judgment, and relationships he carries are irreplaceable and instantly deployable. Strip away his assets and he still has his human capital. When Apple fired Steve Jobs, the man who founded the company, he went on to create Pixar. Apple itself languished until it invited him back — at which point it became the first company to reach a $1 trillion market cap, now valued at over $3 trillion.

This chapter is about the most important investment you will ever make — not in the stock market or in real estate, but in yourself.

The Question Behind the Inequality

Why does one person live in a 66,000-square-foot waterfront mansion with a Caribbean-sand beach and a 27-seat private theater, while another sleeps in a bus station bathroom with his young son, desperate to hide it from the world? Bill Gates built one of those lives. Chris Gardner — whose story became the film *The Pursuit of Happyness* — lived the other, before rebuilding himself into a millionaire stockbroker through sheer force of human capital. The contrast is jarring. And it demands an honest answer.

It is tempting to reach for simple explanations: luck, inheritance, connections, exploitation. These factors exist. But they are not the primary story. The primary story, in a modern economy, is human capital. In America today, the poverty rate for high school dropouts is approximately 1 in 4. For college graduates, it is 1 in 25. That is a tenfold difference in poverty risk based largely on a single variable: education. *(U.S. Census Bureau)*

Education and Earnings: The Numbers Don't Lie

College graduates now earn 68% more than high school graduates — up from 40% in the 1980s. Graduate degree holders do better still. The return on a college education is estimated at roughly 10% per year — a rate that most Wall Street traders would envy.

What Human Capital Actually Is

Human capital encompasses far more than academic credentials. Economist Gary Becker, who won the Nobel Prize for his foundational work in this field, defined it broadly: education, training, skills, intelligence, creativity, charisma, work ethic, entrepreneurial drive, and even physical health. It is everything that makes you productive — and therefore valuable — in the marketplace.

Tiger Woods' human capital is the ability to place a small white ball in a hole more reliably than any other human being alive. Alex Rodriguez's was the ability to hit a 90-mile-per-hour fastball harder and more often than nearly anyone else on the planet — a skill so rare it earned him $308 million over twelve seasons with the New York Yankees. A top trial lawyer commands $500 an hour because her particular combination of legal knowledge, rhetorical skill, and courtroom presence is genuinely scarce. The labor market, like any market, prices demand and scarcity.

Human Capital and the Wealth of Nations

The 75 Percent Factor

Becker's research led to a conclusion that many find surprising: in a modern economy, approximately 75 percent of all wealth consists of human capital — not buildings, not machines, not oil reserves, not gold, but the knowledge, skills, and judgment that people carry in their minds.

Why Natural Resources Are Not the Answer

Consider two striking contrasts. Japan and Switzerland rank among the world's wealthiest nations per capita, despite having virtually no natural resources. Nigeria sits atop vast oil reserves and ranks near the bottom of the global income distribution. Israel has no oil; Saudi Arabia has most of the world's conventional reserves. Yet Israel's per capita income towers over Saudi Arabia's, driven by one of the world's most educated and entrepreneurially active populations. *(World Bank development data)*

The lesson is uncomfortable for those who believe prosperity flows from what lies beneath the earth: it flows from what lies between the ears.

Human Capital and the Next Generation

Human capital creates what economists call a virtuous cycle. Well-educated parents invest heavily in the human capital of their children — reading to them, engaging them intellectually, modeling good financial habits, providing stability and encouragement. In the developing world, research shows that a single additional year of schooling for a woman is associated with a 5 to 10 percent reduction in the likelihood that her child will die before age five. Education saves lives, across generations. *(Woldemicael & Tenkorang, Social Science & Medicine, 2016)*

Human Capital and Productivity: The Engine of Prosperity

Human capital matters so much because it drives productivity — the efficiency with which we convert inputs into outputs. Productivity is the engine of prosperity. America is wealthy because Americans are productive. We produce more per hour worked than almost any other nation on earth.

The numbers are striking. Charles Wheelan observed in his book *Naked Economics* that in 1870, the typical American household needed 1,800 hours of labor per year just to acquire its food supply. Today, that figure is around 260 hours. Over the twentieth century, the average work year shrank from 3,100 hours to 1,730 hours — while inflation-adjusted GDP per capita grew from $4,800 to over $31,500. We work less and produce more. That is productivity.

Using the Rule of 72, consider the difference between a 2.7% productivity growth rate and a 1.4% rate:

Growth Rate	Years to Double Living Standards	Historical Period
2.7%	~27 years	1947–1975
1.4%	~51 years	1975–mid-1990s
1.5%	~48 years	2004–2022
2.7%	~27 years	2023 (recovery)

That 1.3 percentage-point difference translated into an entire generation of Americans who doubled their living standards in 27 years versus 51. Productivity growth is not a statistic. It is the

difference between your children living measurably better than you — or not.

The Human Capital Depreciation Trap

Like all assets, human capital can depreciate. The engineer who stops keeping up with new programming languages, the accountant who never learns updated tax law, the manager who resists digital tools — their human capital is eroding in real time, even if their salaries have not yet reflected it.

Research by labor economist Robert Topel found that experienced workers who are forced to change industries after a plant closure lose approximately 25 percent of their long-run earnings capacity. That is the human cost of skills that are no longer in demand.

The antidote is continuous learning. In a fast-changing economy, the workers who thrive are not necessarily the most credentialed — they are the most adaptable. This is why the most consistent predictor of long-term career success is not where you went to school, but whether you keep learning after you leave.

> *"I constantly see people rise in life who are not the smartest, sometimes not even the most diligent, but they are learning machines. They go to bed every night a little wiser than they were when they got up."*
>
> — Charlie Munger

The Most Powerful Tool for Building Human Capital: Read

Two teenagers worked in a grocery store in Omaha, Nebraska. One came from a poor family devastated by the Depression, breeding hamsters for spare change. The other was the store owner's grandson, selling chewing gum and Coke bottles door to door. Each earned about $2 a day. Decades later, they were earning $20 billion in annual profit through their company, Berkshire Hathaway. Their names: Charlie Munger and Warren Buffett.

What made the difference? By virtually every account, it was reading. In his early career, Buffett reportedly read 600 to 1,000 pages a day. Today, he still dedicates 80 percent of his working hours to reading.

His advice to aspiring investors has never varied: "Read 500 pages every day. That's how knowledge works. It builds up, like compound interest."

Elon Musk learned rocket engineering largely through books before SpaceX existed. Bill Gates reads 50 nonfiction books a year. Mark Zuckerberg famously challenged himself and the world to read a book every two weeks in 2015. The pattern is not coincidental. The most successful people in the modern economy are, almost without exception, voracious and disciplined readers.

A Starter Bookshelf for the Financial Reader

Here is a selection of books that have changed the financial lives of millions of readers. Start anywhere. The goal is not to finish a list — it is to build a reading habit that sustains itself:

- The Little Book of Common Sense Investing — John C. Bogle
- The Richest Man in Babylon — George S. Clason
- The Millionaire Next Door — Thomas J. Stanley
- The Psychology of Money — Morgan Housel
- Rich Dad Poor Dad — Robert Kiyosaki
- Atomic Habits — James Clear
- Grit — Angela Duckworth
- Think & Grow Rich — Napoleon Hill
- Good to Great / Built to Last — Jim Collins
- How to Win Friends and Influence People — Dale Carnegie
- The Seven Habits of Highly Effective People — Stephen Covey
- Thinking, Fast and Slow — Daniel Kahneman

Free Access to These Books

Most of these titles are available as free audiobooks through library apps like Libby or Hoopla. You can listen while driving, exercising, or doing chores — turning otherwise idle hours into a daily investment in your human capital. A one-hour commute is 250 hours of reading time per year. Over a decade, that is 2,500 hours. At the pace of one book every ten hours, that is 250 books — a self-directed graduate education.

Building Human Capital in the Age of AI

Every reader of this book should be asking a question that may not yet be voiced: what happens to human capital when artificial intelligence can do more and more of what people used to be paid to do?

AI tools are already performing tasks that required expensive professionals a decade ago — drafting legal documents, writing code, analyzing financial statements, generating marketing copy. This is not a distant threat; it is a present reality. But here is what the evidence shows about which human skills AI amplifies rather than replaces:

Skills That AI Amplifies

- **Financial literacy and judgment** — AI can run calculations and surface data, but it cannot tell you what to do with the result. The person who understands compound interest, tax strategy, and risk management will use AI as a force multiplier.

- **Relationship-building and trust** — Clients, tenants, employers, and partners still choose to work with people they trust. The ability to build and maintain genuine relationships cannot be automated.

- **Problem-framing and decision-making** — AI is excellent at answering the questions you give it. It is weak at knowing which questions to ask. The skill of defining a problem correctly — identifying the real obstacle, the real goal, the unstated assumption — remains deeply human.

- **Communication and persuasion** — The ability to write clearly, speak convincingly, and connect emotionally with an audience is not going away. If anything, AI-generated content is raising the bar for authenticity and genuine voice.

- **Adaptability and continuous learning** — The workers who will thrive in an AI economy are not the most credentialed; they are the most adaptable. The habit of learning something new every year is the most durable competitive advantage you can build.

Skills That AI Will Replace (or Already Has)

Routine data processing, form-filling, basic writing templates, repetitive customer service scripts, and predictable analytical tasks are all being automated rapidly. If your income depends primarily on any of these, the most important investment you can make in the next three years is learning the tools that augment your work rather than resist it.

A Practical First Step

Pick one AI tool relevant to your work or finances and spend one hour per week for the next month learning it deeply. Most people are using 5% of the available capability of tools they interact with daily. Becoming genuinely proficient with AI tools in your field is one of the highest-return investments of time available to anyone today.

Knowledge Is Not Power — Action Is Power

Napoleon Hill, in his classic *Think & Grow Rich*, made a point that too many people never internalize: "Knowledge is not power. It is only potential power." Only when you put knowledge into action do you unlock its value.

Reading about compound interest is not the same as opening an investment account. Reading about real estate investing is not the same as buying a property. Reading about tax strategy is not the same as restructuring your finances to take advantage of it. Information without implementation is entertainment.

The people who build wealth are not necessarily the most educated or the most intelligent — they are the most action-oriented. They read something that makes sense, and then they do it. Immediately. The plan that is executed imperfectly beats the perfect plan that never launches.

My own path illustrates the principle: getting a certification to open a door; learning programming from a friend to shift careers; studying real estate while holding a full-time job; getting licensed as a realtor while flipping properties; dollar-cost-averaging money into a Vanguard S&P 500 index fund while learning about index investing — each step was a targeted investment in human capital that compounded over time into financial freedom. No single step was dramatic. The accumulation was.

The Whole Person: Physical, Spiritual, Financial

A final word, and perhaps the most important one in this chapter. Human capital is not sustained in a vacuum. The financial knowledge and discipline described in this book have limited value if the person wielding them is falling apart physically or spiritually.

Physical health is the infrastructure of human capital. The most productive mind is housed in a body that gets adequate sleep, eats nutritious food, moves regularly, and avoids substances that dull cognition. The wealthiest people in the world, almost without exception, invest seriously in their physical health — because they understand that it is not separate from their financial capital; it is the foundation of it.

Jesus told a parable about a wealthy farmer whose land produced an abundant harvest. Delighted with his riches, he tore down his barns and built bigger ones, planning to "eat, drink, and be merry" for years to come. That night, he died — and everything he had accumulated went to someone else. The point was not that wealth is evil; the point was that a life oriented entirely around accumulating earthly capital, at the expense of deeper human and spiritual flourishing, is a life misspent.

Build your human capital. Invest in your education, your skills, your financial literacy. And invest equally in your physical health and your spiritual depth — because those are the foundations that make everything else meaningful, and sustainable.

We are fearfully and wonderfully made.
— Psalm 139:14

Chapter 7 Worksheet — Your Human Capital Inventory

My most valuable skills (that the market currently pays for):

____

____

Skills I should develop in the next 12 months to remain valuable:

____

____

One AI tool I will spend time learning this month:

____

Books I will read or listen to in the next 90 days:

____

____

PART FOUR

The Long-Game Assets: Real Estate and Retirement

CHAPTER EIGHT

Tenants, Mortgages, and Time:

Building Passive Income Through Residential Rental Properties

> *"Ninety percent of all millionaires become so through owning real estate."*
> — Andrew Carnegie

In 2003, I stood in the living room of a four-plex in Chicago's Lincoln Square neighborhood and did some math on a napkin. The building had fire damage. Drug dealers had lived there before I arrived. It had been vacant for months. My father had lent me the ten percent down payment.

What I saw past all of that: four units, four income streams, one mortgage, and a neighborhood two blocks from the subway in a city where people desperately needed places to live. I bought it. I renovated it. I leased all four units within a few weeks. Eleven months later, I sold it for a profit of 140 thousand dollars — nearly double my annual salary at the time.

That transaction changed the way I thought about money forever. Not because 140 thousand dollars is a life-altering sum, though it felt that way at the time. But because I had earned it through ownership rather than employment. The building had done the work. I had provided the capital and the judgment. And that distinction — between income that requires your presence and income that does not — is the whole point of this chapter.

Why Passive Income Is Not a Luxury — It Is a Necessity

Proverbs 13:22 says a good man leaves an inheritance to his children's children. That verse has always haunted me a little. Not because it sets an impossible standard, but because it describes a kind of wealth that compounds across generations — and most of the people I know are moving in exactly the opposite direction.

The difference between wealth that grows and wealth that stagnates often comes down to a single question: Are you only working, or is your money also working for you? Earned income — the salary, the hourly wage, the consulting fee — stops the moment you stop. It cannot work while you sleep. It cannot send your children to college the year after you die. It cannot outlive you.

Passive income can.

Residential rental properties are not the only vehicle for passive income, but they are among the most accessible, most tangible, and most powerful. Unlike a stock portfolio, a rental property is something you can drive past. Unlike a dividend payment, a rent check represents a real family sleeping under a real roof that you own. And unlike a savings account, a rental property does something remarkable: it appreciates in value while someone else pays down your debt.

Seven Reasons Passive Income Changes Everything

- **Financial Freedom.** When your investments earn more than you spend, work becomes optional. Warren Buffett said it plainly: “If you don’t find a way to make money while you sleep, you will work until you die.”

- **Retirement Security.** Passive income does not retire when you do. A rental property that generates cash flow at sixty-five will still be generating cash flow at eighty-five.

- **Tax Advantages.** Rental income is among the most favorably taxed income in the entire tax code. Depreciation alone can shelter tens of thousands of dollars from taxation every year.

- **Flexibility.** Passive income buys back your most irreplaceable asset: time.

- **Resilience.** A layoff, a recession, or a health crisis can destroy earned income overnight. A diversified base of passive income streams provides a buffer that no employer can eliminate.

- **Diversification.** A rental property moves to its own rhythm, often out of step with the stock market.

- **Generational Wealth.** A paid-off rental property, passed to your children with a stepped-up cost basis, transfers wealth with virtually no tax consequence.

The Simple Geometry of Rental Real Estate

At its core, residential rental real estate is a straightforward transaction. You buy a property. A tenant pays you rent. If you have a mortgage, the rent covers the payment and then some. Over thirty years, your tenant pays off the loan. At the end, you own a property outright — worth several times what you paid for it — and the rent check is now nearly pure income.

Let's put real numbers to it. Suppose you purchase a $300,000 single-family home with a twenty-percent down payment of $60,000. On a thirty-year fixed mortgage at four percent, your principal and interest payment runs approximately $1,145 per month.

Item	Monthly
Mortgage (principal + interest)	$1,145
Property Tax	$600
Insurance	$100
Miscellaneous (vacancy, repairs)	$100
TOTAL	$1,945 / month

Your tenant pays $1,945 or more. You break even — or better. Thanks to depreciation, you owe little to nothing in taxes on that income. After thirty years, the property has appreciated at four percent annually to $976,149. Your $60,000 investment has become roughly $973,000. That is a 1,527% return.

This is the power of leverage — the ability to control a large asset with a small amount of your own capital. You did not invest $300,000 and watch it grow to $976,000. You invested $60,000 and let the bank's $240,000 do the heavy lifting alongside your own dollars.

Leverage is the closest thing to a financial superpower. — Naval Ravikant

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Now consider what happens after the mortgage is retired. The rent has risen over thirty years along with everything else. A property that commanded $1,945 per month at the outset might reasonably command $5,800 per month three decades later. Your expenses have also risen, to perhaps $2,400 per month. The result: $3,400 per month in pure cash flow.

That is $40,800 per year, generated by an asset you own free and clear, that someone else paid down, that you can pass to your heirs with a stepped-up basis. From one property.

The right rental property does three things simultaneously: it appreciates in value, generates current income, and shelters that income from taxes. There is no other common investment that accomplishes all three.

Eight Lessons from the School of Hard Knocks

Lesson One: Research Before You Risk

My first property — that fire-damaged four-plex in Lincoln Square — taught me that the key to a good investment is understanding your purchase price relative to the market before you buy. I walked every block within a quarter mile. I checked crime rates. I researched comparable rentals. I noticed that the sellers were motivated and the vacancy was a negotiating advantage, not a warning sign. I believe I bought at a discount of fifty to eighty thousand dollars below market value.

The lesson: overpaying at the outset compresses your returns for the entire life of the investment. Price discipline at purchase is the single most powerful return-enhancing decision you will make.

Lesson Two: What You Learn in the Game, You Cannot Learn Outside It

After I sold that Chicago four-plex, my realtor introduced me to the 1031 Starker Exchange — a provision in the tax code that allows you to defer capital gains taxes on an investment property sale by rolling the proceeds into a like-kind investment within 180 days. I had never heard of it. I only learned about it because I was in the transaction.

I used that first exchange to acquire three properties simultaneously in Dallas — two model homes in the Stonebridge Ranch community in McKinney, purchased as lease-back deals with the builder, and one townhome near Uptown Dallas. That single transaction, funded by deferred gains, effectively tripled my portfolio without triggering a tax bill.

Lesson Three: Pursue the Deal That Seems Impossible

When I needed to deploy the proceeds of my 1031 Exchange quickly, I was working without a Texas real estate license and against a forty-five-day identification window. I found a realtor who did not just show me properties — she educated me. Through her, I discovered lease-back arrangements: purchasing a model home from a builder who then leases it back from you, often covering property taxes, insurance, and HOA fees as part of the arrangement. The builder needed liquidity. I needed yield with minimal management. Both parties won.

Lesson Four: Help Others, and You Learn More

My parents had been struggling to sell a commercial lot in Irving for over a decade. I searched the commercial listings in the area and found an agent who was thriving where others had failed. I called her. She sold the property in a month at near-market price.

My parents were so moved by the outcome that they used the proceeds to do something that still means everything to me: they funded my wife's engagement ring, our honeymoon, and the down payment on our first home.

The principle: the deals you do for others sharpen the instincts you need for yourself.

Lesson Five: Your Real Estate License Pays for Itself Many Times Over

I once calculated that I had paid well over $100,000 in commissions to realtors over the course of my early investing. After getting my Texas license, I recaptured those savings deal by deal — and earned commission on transactions I helped friends complete. The license is not just a credential; it is access to the MLS, to standard legal forms, to market data, and to a network of professionals who will treat you as a peer rather than a client.

Lesson Six: The 2008 Crash Turned a Problem into a Strategy

When the real estate market collapsed in 2008 and 2009, flipping became nearly impossible. I had properties I could not sell at reasonable prices. Rather than accept losses, I converted them to rentals. That forced transition turned out to be one of the best financial decisions of my life. I read everything I could about landlording. I learned about vetting tenants, managing maintenance, and claiming depreciation. And I discovered that the rental income, reinvested systematically, gave me the capital to eventually pay off each property entirely.

Lesson Seven: Debt-Free Ownership Is the Endgame

The interest rates available to me during my primary accumulation years were historically low — around 2.5 percent. Today's rates, hovering above six percent, make the early years more challenging. All the more reason to pursue the long game: pay down the mortgage aggressively when you can, eliminate the debt, and convert your rental income from a modest cash-flow business into a powerful, nearly expense-free income stream.

My wife and I combined our incomes for years to save every dollar of rental income, using it along with investment proceeds to pay off our personal residence, then each rental property in turn. Some people think me foolish for this. After all, there is a 7.5% spread between my mortgage rate and the average annual return of the S&P 500 — on paper, I was leaving money on the table. I understood the math. I made a different choice anyway.

My decision was not based on a spreadsheet but on prayer. In one of my morning Quiet Times, while studying the Bible, I came across Romans 13:8: "Let no debt remain outstanding." During prayer, I felt convicted to be rid of all debt — including mortgage debt. So I began systematically diverting rental income and stock gains to pay off our properties one by one.

What followed I can only describe as provision. Over several years I liquidated a large position in Apple stock at its peak — and then, years later, did it again. The proceeds paid off our primary residence and rental properties until, within five years of that morning's conviction, I was entirely debt free. I did not engineer that timing. I simply obeyed what I believed I had been called to do, and the resources arrived when they were needed.

This is not a formula. It is a testimony — and the verse that began it seems the right one to close it: "Seek the Kingdom of God above all else, and live righteously, and he will give you everything you need" (Matthew 6:33).

Lesson Eight: Sometimes You Help Someone Else Build Their Passive Income

When my dad reached retirement age, I offered to manage his bills and finances so that he could have more time to enjoy his retirement with my mom. They agreed. I was following the command in Scripture: "Honor your father and mother — which is the first commandment with a promise — so that it may go well with you" (Ephesians 6:2-3). For the next twenty years, I invested their money, purchased and managed rental properties for them, and watched their net worth grow fivefold — by God's grace, not by my cleverness. My dad was making in retirement more than he ever earned while working.

As great as the benefit to my parents, I believe I received the greater return — in what I learned and the experience I gained. Never underestimate what you can gain by helping others.

The Practical Art of Landlording

The Most Important Thing: Find the Right Tenant

In real estate, the saying is “Location, Location, Location.” For rental properties specifically, a close second is “Tenant, Tenant, Tenant.” The right tenant pays on time, cares for the property, and leaves you alone. The wrong tenant costs you money, time, legal fees, and peace of mind.

I have had good tenants and I have had disasters. A tenant who paid her application fee in a wad of cash should have sent me running. A tenant with a prior eviction cost me months of lost rent and significant property damage. A pastor with poor credit — a man I wanted to believe the best about — abandoned the property mid-lease without notice.

Here is what I now require, with rare exception:

- Gross monthly income of at least three times the rent
- Credit score of 700 or above (I advertise this threshold upfront)
- No prior evictions
- No disqualifying criminal history
- Verifiable employment and income
- Verifiable previous residence and rental history

I use a service like RentSpree to conduct background, credit, eviction, and identity checks — all paid by the applicant as part of the application fee. And I meet every serious prospect in person. There is no substitute for looking someone in the eye. *(rentspree.com)*

Vetting Pitfalls to Avoid

- Never rush to fill a vacancy. A month of lost rent is cheaper than a year of a bad tenant.
- Apply the same criteria to every applicant. Inconsistency creates legal exposure.
- Do not ignore gut instincts. Tardiness, vague answers, and an incomplete application are all signals.
- Verify everything. One tenant I nearly placed had falsified her identity, her previous address, her employer, and her pay stubs.

I discovered the fraud only by driving to the previous address and then the claimed workplace.
- Do not make exceptions for hardship stories. Sympathy is a virtue in the pew. In landlording, it is a financial liability.

Listing and Marketing

- Hire a professional photographer. Services like Homesnappers.com use wide-angle lenses that make spaces look their best. Most landlords skip this step. That is your advantage. *(homesnappers.com)*
- Write a comprehensive, detailed description. If you are including appliances, say so. If the neighborhood has excellent schools, mention it.
- List on the MLS (if you have a license), Zillow's Rental Portal, and Apartments.com.
- Prepare the property for every showing: temperature set comfortably, blinds open, all lights on, surfaces clean, no dead bugs or cobwebs, no deferred maintenance visible.

Limiting Your Involvement Over Time

- Payments: All rent is collected electronically. No checks, no cash, no trips to the bank.
- Repairs: I ask tenants to photograph the problem, find a well-reviewed local contractor, schedule the work, and submit an invoice. I don't set foot in the property unless I choose to.
- Leases: I use DocuSign for all lease signatures.
- Records: I maintain a simple Google Spreadsheet tracking every expense and payment. This is a critical step to claim all the deductions you are due at tax time.

Finding the Right Investment Property: A Step-by-Step Framework

Step One: Define Your Goals and Strategy

Before you look at a single property, answer these questions: What is your primary objective? How much capital can you deploy? What is your risk tolerance? Do you want a single-family home, multi-family building, or condo? Will you self-manage or hire a property manager? Will you pursue long-term leases or short-term rentals?

Step Two: Choose Your Market Carefully

Look for: strong and growing job market; population growth; affordable home prices relative to local incomes; rising rents and low vacancy rates; good schools; proximity to amenities, transportation, and major employers.

Step Three: Run the Numbers

Calculate:

- **Net Operating Income (NOI)**: Gross Rental Income minus all Operating Expenses (property tax, insurance, HOA, leasing and management expenses, etc.), excluding mortgage payments.
- **Cash Flow**: NOI minus Annual Mortgage Payments. You want this to be positive from day one.

Step Four: Due Diligence

Never skip the inspection. Also verify: clear title, proper zoning for rental use, absence of rent control restrictions, and — if applicable — the HOA's rules and financial health. There is nothing so devastating as buying a rental property only to discover the HOA restricts new rentals.

Steps Five and Six: Close Smart, Start Right

Make a data-driven offer with appropriate contingencies. Negotiate on price or repair credits based on inspection findings. Then, before you list the property, get it rent-ready: photograph it professionally, write a compelling listing, and screen aggressively before signing any lease.

The Tax Advantages That Make Rental Real Estate Uniquely Powerful

Depreciation: Income Sheltered by Math

The IRS allows you to deduct one twenty-seventh-and-a-half of your property's value each year as a depreciation expense — even if the property is appreciating in market value. On a $275,000 rental home, that is roughly $10,000 per year in deductions. Over the 27.5-year depreciation schedule, you shelter $275,000 of income from taxation.

The 1031 Exchange: Indefinitely Deferred Capital Gains

When you sell an investment property for a gain, you owe capital gains tax — up to 20% depending on your income — plus depreciation recapture tax at twenty-five percent on the deductions you have claimed over the years. Together, these can consume forty cents of every dollar of profit. The 1031 Starker Exchange sidesteps this entirely. By rolling your proceeds into one to three like-kind properties within 180 days, you defer the tax indefinitely. Some savvy investors do this repeatedly throughout their lives, upgrading their holdings with every exchange. When they eventually pass those properties to their heirs, the properties receive a stepped-up cost basis — resetting the taxable gain to zero. A strategy that began as tax deferral ends as tax elimination.

Deductions: The Cost of Running a Rental Business

Every legitimate expense of operating a rental property is deductible: mortgage interest, property taxes, insurance, repairs, maintenance, property management fees, advertising, mileage, and more. Combined with depreciation, these deductions can shelter the entirety of your rental income.

The Point of All This

I manage six residential leases today. When every unit is occupied, the work requires less than an hour a week. The rent checks arrive electronically. The contractors schedule themselves. My tenants — vetted carefully and treated fairly — largely take care of the properties as if they were their own.

None of this happened quickly. It was built over more than twenty years of reading, transacting, making mistakes, and refining the system. The Chicago four-plex, with its fire damage and drug-dealer history, was the first brick. Each subsequent deal was another.

Ecclesiastes 11:2 says to divide your portion among seven, or even eight, because you do not know what disaster may come you. Real estate is one of those portions. Not because it is without risk — every investment carries risk — but because it combines income, appreciation, leverage, and tax advantages in a way no other common investment does.

The question is not whether rental real estate makes sense as part of a wealth-building strategy. It does. The question is whether you are willing to do the patient, deliberate work of building it correctly.

"Real estate rewards those who think in decades, not weekends" — Eugene Han

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Chapter 8 Worksheet — Your Rental Property Plan

Do I currently have enough for a 20% down payment on a rental property? If not, my target date:

____

Three markets or zip codes I will research this month:

____

____

My target property type (circle): Single-family / Multi-family / Condo / Short-term rental

____

One step I will take in the next 30 days toward my first (or next) rental property:

____

____

CHAPTER NINE

The Retirement You Actually Want:

How to Plan, Save, and Arrive with Enough

> *"The plans of the diligent lead surely to abundance, but everyone who is hasty comes only to poverty."*
> — Solomon, Proverbs 21:5

Here is a number worth sitting with: according to studies on retirement preparedness, more than half of working Americans are on track to retire with less than one year of income in savings. Not one year of retirement — one year of income. For a household spending $60,000 a year, that is $60,000 standing between them and nothing.

I do not share this to alarm you. I share it because the antidote is not complicated. It is not reserved for people with high incomes or advanced financial degrees. The antidote is a plan — made deliberately, early, and executed with the same patience we applied to compounding in Chapter Four.

Solomon built the most architecturally extraordinary temple the ancient world had ever seen. Before the first stone was laid, he planned. He gathered resources. He accounted for every cost. Jesus, in Luke 14:28, used the same logic: "Suppose one of you wants to build a tower. Won't you first sit down and estimate the cost to see if you have enough money to complete it?"

Retirement is your tower. This chapter is how you estimate the cost.

Why Retirement Planning Has Never Mattered More

You Will Live Longer Than You Think

The American College of Financial Services notes that a longer retirement is a more expensive retirement — and retirements are getting longer by the decade. A 65-year-old man today has approximately a fifty-percent chance of living past 88. A 65-year-old woman has approximately a fifty-percent chance of living past 90. Research consistently finds that most people significantly underestimate how long they will live — one survey found that two-thirds of adults were off by more than ten years. For a personalized longevity estimate, visit longevityillustrator.org or livingto100.com.

The practical implication: if you plan for twenty years of retirement and you get thirty, your savings must stretch fifty percent further than you budgeted. The error is not dramatic in the early years. It becomes catastrophic in the later ones.

Healthcare Costs Will Be Larger Than You Expect

Healthcare inflation has consistently outpaced general inflation for decades. The longer you live, the more years of medical costs you will accumulate. Medicare, which begins at 65, does not cover everything. Long-term care — the kind required when you can no longer fully care for yourself — can run $5,000 to $10,000 or more per month.

The time to plan for a thirty-year retirement is before it begins, not after.

The Cost of Not Planning: Four Cautionary Tales

Kodak Employees: The Danger of a Single Basket

When Eastman Kodak filed for bankruptcy in 2012, thousands of employees discovered that their retirement security had been concentrated almost entirely in company pension and stock. When the company collapsed, so did their plans. The employees who had diversified — who had contributed to IRAs, invested in index funds, and declined to hold all their eggs in a single corporate basket — arrived at retirement intact. Same employer, same salary history, dramatically different outcomes. The difference was not luck. It was preparation.

Japanese Seniors: When the Government Cannot Save You

Japan has one of the oldest populations in the world and one of the most stressed pension systems. Many elderly Japanese citizens retired on the assumption that government pension income would be sufficient. With a shrinking working population supporting a growing retiree base, that assumption has proven catastrophically wrong for those without personal savings. The parallel to America's Social Security system is direct and intentional. Social Security was designed to provide a floor — something rather than nothing. It was never designed to be the whole house. Those who treated it as the whole house are discovering the difference.

The Social Security Illusion

Let's work through the math that most people never do. Suppose you are 25 years old today and you spend approximately $30,000 a year. Your full retirement age falls around 2055, thirty years from now. What will $30,000 of annual expenses cost in 2055, adjusted for the historical average inflation rate of three percent?

Using the future value formula ($FV = PV \times (1 + i)^n$): $\$30,000 \times (1.03)^{30}$ = approximately $72,818 per year in 2055. Social Security benefits do rise with inflation through annual Cost of Living Adjustments — but even accounting for that, the average monthly benefit at full retirement age today is approximately $2,900, which would grow to roughly $4,700 per month in inflation-adjusted 2055 dollars. That is $56,400 per year.

The gap between what you will need ($72,818) and what Social Security will realistically provide ($56,400) is approximately $16,400 per year — and that is the optimistic scenario, assuming Congress acts to preserve full funding. Without intervention, the Social Security trust fund faces projected shortfalls that could reduce benefits further. Social Security, by itself, does not cover the bill. It was never designed to.

Social Security was designed to give people something to live on. It was never designed to give people everything they need.

What If You Had Invested?

Consider this what if. While the government deducted $148 per month from your paycheck for Social Security, suppose you simultaneously invested a matching $148 per month over the same thirty-year horizon into an S&P 500 index fund earning the historical average of ten percent annually. By retirement, that account would be worth approximately $334,500.

At that point, you can draw Social Security's inflation-adjusted benefit AND withdraw roughly 4.9 percent from your personal account — approximately $16,400 per year — to bridge the gap identified in the previous section. And here is the remarkable part: at that withdrawal rate, your principal continues to grow. Because your account is still earning ten percent annually while you withdraw only 4.9 percent, the net growth rate is approximately 5.1 percent per year. Twenty years into retirement, even with the ongoing withdrawals, that account would be worth approximately $904,000. After thirty years, nearly $1.5 million. You would have spent down nothing — and left a substantial inheritance in the process.

My message here is not to disregard Social Security. It is to refuse to depend on it alone. The government implemented it to give financially unprepared Americans a floor — something rather than nothing. For those who plan, it becomes a supplement rather than a lifeline.

Can You Retire Early? The Math of Early Retirement

Suppose you are 35 years old, earning $50,000 per year, saving ten percent. Can you retire at 62 with a similar lifestyle? Let’s work through it honestly — including why the first answer is discouraging and why the full picture is not.

Step One: Account for Inflation

A $50,000-per-year lifestyle today, inflated at three percent annually for 27 years, requires approximately $111,000 per year at age 62. Every retirement projection that fails to account for inflation is wrong before it begins.

Step Two: Estimate Your Target

Using the four percent safe withdrawal rule, you need approximately 25 times your annual portfolio expenses saved at retirement. But your portfolio does not have to cover everything. Social Security will contribute a meaningful portion — though how much depends on when you claim it. Retiring at 62 means claiming five years before your full retirement age (FRA) of 67, which triggers a permanent 30% reduction. For this income profile ($50,000 growing to $100,000), claiming at 62 yields roughly $15,000 to $18,000 per year in today's dollars. Waiting to claim at 67 — bridging five years from savings — raises that to approximately $20,000 to $25,000. Waiting to 70 pushes it to $27,000 to $31,000. The table below uses the FRA estimate of $22,000 per year as a planning assumption, reducing the annual portfolio requirement to approximately $89,000.

At $88,000 in required annual portfolio income, the 4% rule suggests a savings target of approximately $2,200,000. Early retirees with longer horizons may want to use a more conservative 3.5% rate, pushing the target to $2,500,000. Call it $2.2 to $2.5 million.

That sounds like a lot. Keep reading.

Step Three: What Ten Percent Actually Produces

Saving $5,000 per year — ten percent of $50,000 — at a seven percent return for 27 years produces approximately $368,000 by age 62. Solid. Not sufficient on its own. But this is the floor of the scenario, not the ceiling — and no one's life actually looks like this.

Step Four: What a Realistic Path Actually Looks Like

The $368,000 figure assumes the same $50,000 income and the same ten percent savings rate for 27 straight years. That is not how careers work. Here is what happens when you apply just a few of the strategies in this book — nothing heroic, nothing that requires a windfall:

Lever	Change from Baseline	Approx. Result at 62	Notes
Baseline	10% savings, flat $50k income, 7% return	$368,000	Starting point
Income grows	Reaches $75k by mid-40s, same 10% savings rate	$620,000	Realistic career progression
Save more	Savings rate increases to 20% as income grows	$940,000	Cut one major expense category
Invest better	S&P 500 index fund at 10% vs. 7%	$1,150,000	Low-cost index investing
Add real estate	One rental property generating $2,000/mo net by 62	$1,150,000 + $24,000/yr	Reduces portfolio needed by ~$600k

That last row matters more than it looks. A rental property generating $24,000 per year in net income reduces your annual portfolio withdrawal requirement by $24,000 — which means you need $600,000 less in your portfolio at retirement ($24,000 ÷ 4%). Add that to $1,150,000 and the combined picture approaches $1,750,000 in portfolio value plus $24,000 in annual passive income — not far from the target, without anything extraordinary happening.

Add Social Security on top of that — whether $15,000 to $18,000 per year if claimed at 62, or $20,000 to $25,000 if you bridge to your full retirement age of 67 — and the math is not just achievable. For a disciplined person who starts at 35, it is the expected outcome. The early-claiming penalty is real and worth planning around: if your portfolio can support five bridge years from 62 to 67, waiting to claim Social Security adds $5,000 to $7,000 per year in guaranteed lifetime income.

The Real Lesson

The math is not designed to discourage you. It is designed to show you exactly which levers matter and why. The person who starts at 35 earning $50,000, saves consistently, increases their rate as income grows, invests in low-cost index funds, and purchases one rental property in their forties is not a rare success story. They are the person this entire book was written for — and the numbers work in their favor if they start now and stay the course.

The question is not whether you can afford to build financial freedom. The question is whether you can afford not to.

The Retirement Account Landscape

Maximizing your contribution to your retirements accounts – matching 401(k), Roth IRA, Traditional IRA – is one significant leg of your investment pathway to retirement success.

Account Type	Key Advantage
Traditional IRA	Pre-tax contributions; taxed upon withdrawal. Reduces taxable income now.
Roth IRA	After-tax contributions; all growth and qualified withdrawals are tax-free. The most powerful long-term vehicle for most investors.
401(k) / 403(b)	Employer-sponsored; high contribution limits ($24,500 in 2026). Contribute at least enough to capture any employer match.
Roth 401(k)	After-tax contributions within an employer plan. Higher limits than a Roth IRA.
SEP-IRA	For the self-employed. Contribution limits up to 25% of net self-employment income. Extraordinarily powerful for business owners.
HSA	Triple tax benefit: pre-tax contributions, tax-free growth, and tax-free withdrawals for qualified medical expenses.

The Roth: Your Most Powerful Long-Term Tool

Among all of these, the Roth IRA deserves special attention. You contribute after-tax dollars now. Every dollar inside the account grows tax-free. Every qualified withdrawal in retirement is tax-free, provided you are at least 59½ and the account has been open for five years. There are no Required Minimum Distributions during your lifetime. The contribution limit for 2026 is $7,500 per year ($8,600 if you are 50 or older).

The Roth Conversion: A Strategic Move for Those with Traditional IRAs

If you have accumulated significant funds in a traditional IRA, you face a future problem: Required Minimum Distributions. At age 73 — or 75 if you were born in 1960 or later — the IRS requires you to begin withdrawing a percentage of your traditional IRA annually and pay ordinary income tax on every dollar.

Consider the scale. A $1.5 million IRA at age 55, left to grow for twenty years at a conservative eight percent annual return, could reasonably become $7 million by age 75. At 75, the IRS distribution period is 24.6 years, meaning your first RMD is approximately 4.07 percent of your balance — roughly $284,900 on a $7 million account. Add that to $50,000 in net rental income and $48,000 in Social Security benefits, and your taxable income is approximately $382,900 — well into the highest tax brackets.

The solution is a Roth Conversion: strategically moving funds from your traditional IRA into a Roth over several years. The case for converting is actually twofold — and the second reason is as compelling as the first.

The first reason is the one most people cite: you are likely in a lower tax bracket now, during the conversion years, than you will be once RMDs force large mandatory withdrawals on top of Social Security and rental income. Paying twenty-two percent today beats paying thirty-two percent or more later.

The second reason is less obvious but equally powerful: you are paying tax on a smaller base. Every dollar you convert today is a dollar that will no longer compound inside a taxable account for the next twenty or thirty years. Converting $100,000 today means paying tax on

$100,000. Leaving that same $100,000 unconverted for twenty years at eight percent turns it into approximately $466,000 — and every dollar of that growth will eventually be taxed as ordinary income when the RMD forces it out. You are not just locking in a lower rate. You are permanently shrinking the taxable pile.

Converting $50,000 to $190,000 per year over ten to twenty years, carefully staged within the twelve or twenty-two percent brackets, can eliminate most or all of your future RMD exposure — and move the compounding from a taxable environment into one the IRS can never touch again.

Five Pitfalls That Derail Retirement Plans

Pitfall One: Sequence of Returns Risk

Imagine two retirees — call them Robert and Richard — who retire on the same day with identical $1 million portfolios, identical asset allocations, and identical 5% annual withdrawal rates. Over the next twenty years, their portfolios earn identical average annual returns of seven percent. By every measure that matters going into retirement, they are the same person.

Twenty years later, Robert has $1.8 million. Richard is broke.

How is that possible? The answer is sequence of returns risk — arguably the most dangerous and least discussed threat in all of retirement planning. Robert retired into a rising market. Richard retired into a crash. Same average return. Completely different outcomes. The order in which returns occur matters enormously when you are making regular withdrawals, and there is nothing you can do to predict or control that order.

Why sequence risk is uniquely destructive in retirement

During your accumulation years, a market crash is painful but ultimately recoverable. You are adding money to your portfolio regularly, which means a down market lets you buy more shares at lower prices — the mathematical phenomenon known as dollar-cost averaging working in your favor. A 40% crash at age 35 is an opportunity. The same crash at age 65, when you are withdrawing rather than contributing, is a catastrophe.

Here is why. When you sell shares in a down market to fund living expenses, those shares are gone permanently. They cannot participate in the recovery. If your portfolio falls 40% in year one and you withdraw 5% of the original balance to live on, you have not withdrawn 5% of your remaining portfolio — you have withdrawn more than 8% of what's left. In year two, the math is even worse. Each withdrawal in a down market accelerates the depletion, and a portfolio that has been sufficiently depleted in the early years may never recover even if the market subsequently delivers excellent returns. The damage is irreversible.

This is not a theoretical concern. Retirees who entered retirement in 2000 — just before the dot-com collapse and then the 2008 financial crisis — faced back-to-back devastating sequence scenarios. Many who had planned carefully and saved diligently found their portfolios exhausted a decade earlier than projected. Not because they did anything wrong, but because the calendar was unkind.

The mathematics of a bad sequence

Consider a concrete example. A $1 million portfolio with a 5% annual withdrawal ($50,000 per year, inflation-adjusted):

In a good sequence — strong early returns followed by weaker later returns — the portfolio might sustain thirty years of withdrawals and leave a substantial balance.

In a bad sequence — a 35% decline in years one and two, followed by strong returns in years three through thirty — the same portfolio, with the same average return, may be exhausted by year eighteen or nineteen.

The average return is identical. The outcome is not even close. This is why average return figures in retirement projections can be deeply misleading. A financial plan that shows "seven percent average annual return over thirty years" without stress-testing against bad early sequences is not a plan — it is a best-case scenario dressed up as a projection.

How to protect yourself

The core mitigation strategy is deceptively simple: never be forced to sell stocks at the bottom. If you can avoid liquidating equities during a market decline, sequence risk loses most of its power. There are several ways to accomplish this.

The cash buffer. Maintain two to three years of living expenses in cash or short-term stable assets — a high-yield savings account, short-term Treasuries, or a money market fund. When the market falls, you draw from the buffer rather than your stock portfolio, giving equities time to recover before you need to sell. Once the market recovers, you replenish the buffer and repeat. This strategy does not require you to predict market movements — it simply ensures you are never a forced seller at the worst moment.

Passive income as a structural defense. This is where the rest of the financial system you have built becomes a retirement tool in ways that go beyond simple wealth accumulation. Rental income that covers your monthly living expenses is sequence-of-returns protection that no cash buffer can fully replicate, because it does not deplete. A paid-off rental property generating $3,000 per month in net cash flow is $36,000 per year you never have to withdraw from your investment portfolio — in a good market or a terrible one, in year one or year twenty-five. The stock market can fall 40% and your rent check still arrives. That structural independence from market performance is one of the most underappreciated arguments for building rental income specifically as a retirement vehicle.

Social Security as a floor. A larger Social Security benefit — achieved by delaying to 70 — functions similarly. The more of your monthly expenses are covered by guaranteed, market-independent income sources, the smaller the withdrawal rate your portfolio must sustain, and the less damage a bad sequence can do. A retiree who needs only $1,000 per month from their portfolio because Social Security and rental income cover everything else is nearly immune to sequence risk. A retiree who needs $5,000 per month from their portfolio is extraordinarily vulnerable to it.

The bucket strategy. Some financial planners formalize the cash buffer approach into a three-bucket system: Bucket One holds one to two years of expenses in cash; Bucket Two holds three to ten years of expenses in bonds and stable assets; Bucket Three holds long-term growth assets in equities. In a market downturn, you draw from Bucket One while Bucket Two stabilizes and Bucket Three recovers. The psychological benefit is as important as the mathematical one —

knowing that your near-term spending is not dependent on stock prices makes it dramatically easier to hold equities through a crash rather than panic-selling at the bottom, which is the behavioral error that turns a temporary decline into a permanent loss.

The investor behavior dimension

Sequence risk is not just a mathematical problem. It is a psychological one. The retirees most likely to be destroyed by a bad sequence are not those with the worst portfolios — they are those who respond to a bad sequence by selling equities to stop the pain. A 35% market decline that is ridden out in full is ultimately recoverable. The same 35% decline followed by a panic exit to cash locks in the losses permanently and guarantees that the retiree misses the recovery. Research on investor behavior consistently shows that retail investors tend to sell near the bottom and buy near the top — the precise opposite of what the math requires.

The mitigation strategies described above — cash buffers, passive income, guaranteed income floors — are not just financial structures. They are behavioral scaffolding. They exist to make it psychologically possible to leave your equity portfolio alone when every instinct is screaming at you to sell. The investor who can hold through a 40% decline because their rent checks are still arriving and their cash buffer is still full will emerge from the other side intact. The investor who had no buffer, no passive income, and was forced to sell at the bottom to pay the electric bill will not.

The bottom line

You cannot control when you retire relative to the market cycle. You cannot know whether your first year of retirement will be 1995 or 2000, 2009 or 2022. What you can control is whether a bad market in your first few years has the power to permanently derail your retirement — or whether you have built enough structural protection that a bad sequence is an inconvenience rather than a catastrophe. Build the buffer. Build the passive income. Build the guaranteed income floor. And when the market inevitably falls — as it always has and always will — do nothing. The machine is built to survive it.

Pitfall Two: The Social Security Tax Headache

Here is an irony that catches many financially successful retirees off guard: the more income sources you have built, the more likely you are to trigger Social Security taxation. If your combined income exceeds $44,000 for a married couple, up to eighty-five percent of your Social Security benefit becomes taxable — and the retiree with rental income, IRA withdrawals, and a solid Social Security benefit is almost certain to cross that threshold.

In general, the wisest withdrawal sequence is to draw from taxable brokerage accounts first, traditional IRAs second, and your Roth IRA last — preserving the Roth's tax-free compounding engine for as long as possible. Every year a dollar remains inside a Roth IRA, it grows without taxation and without the IRS ever requiring it out.

The one exception worth knowing: because Roth withdrawals do not count toward the combined income calculation that triggers Social Security taxation, a small, targeted Roth withdrawal in a high-income year can sometimes prevent a disproportionate share of your Social Security benefit from becoming taxable. Used this way — surgically, not as a default — the Roth becomes a tax management tool in addition to a wealth-building one. Stage larger traditional IRA withdrawals across multiple years, coordinate your income sources deliberately each year, and treat the Roth as the last resort rather than the first.

Pitfall Three: The RMD Blindside

Required Minimum Distributions beginning at age 73 — or 75 if you were born in 1960 or later — are one of the most consistently underestimated problems in retirement planning. Most people know they exist. Very few understand how large they can become, or how much damage they can do if ignored until they arrive.

Here is the core problem. A traditional IRA or 401(k) that has been growing tax-deferred for thirty or forty years can accumulate to a size that produces enormous mandatory withdrawals — withdrawals you must take whether you need the money or not, and pay ordinary income tax on every dollar. The IRS does not care whether you have other income. It does not care whether the market is down. It requires a percentage of your balance every year on a fixed schedule, and it imposes a 25% penalty on any amount you fail to withdraw on time.

The math compounds in ways that surprise even financially sophisticated retirees. A $1.5 million IRA at age 55 growing at eight percent annually becomes approximately $7 million by age 75. Your first RMD at 75 is roughly 4.07% of that balance — approximately $284,900. By age 80, your distribution factor has shrunk and the percentage rises, even as the account continues to grow. By age 85, the RMD on a still-growing account can easily exceed $400,000 to $500,000 per year. Stack that on top of Social Security income, rental income, and any other sources, and you may find yourself in the 37% bracket on income you never intended to spend — and cannot avoid receiving.

There are four strategies to address this before it becomes unmanageable, and the time to act is well before age 73:

Roth Conversions in low-income years. The period between retirement and age 73 — when earned income has stopped, Social Security may not yet have begun, and RMDs have not yet started — is the single best window for Roth conversions. Converting $50,000 to $190,000 per year during this window, staged carefully within the 12% or 22% tax brackets, permanently removes that money from the RMD calculation and moves its future growth into a tax-free environment. As discussed in the previous section, you are not just locking in a lower rate — you are paying tax on a smaller base before decades of additional compounding inflate it further.

Gradual drawdown of your traditional IRA before 73. Even if you do not convert to a Roth, deliberately drawing down your traditional IRA in your 60s — taking more than you strictly need, while your tax rate permits it — reduces the balance that will eventually be subject to RMDs. A smaller IRA at 73 produces smaller mandatory withdrawals and a more manageable tax situation for the rest of your life.

Qualified Charitable Distributions (QCDs). Once you reach age 70½, you can direct up to $108,000 per year (2026 limit, indexed for inflation) from your traditional IRA directly to a qualified charity as a Qualified Charitable Distribution. The amount transferred satisfies your RMD requirement for the year but is never included in your taxable income — it goes from the IRA directly to the charity, bypassing your tax return entirely. For charitably inclined retirees, this is one of the most tax-efficient giving strategies available anywhere in the tax code. You fulfill your RMD, support causes you believe in, and pay no tax on the distribution. *(IRS Publication 590-B)*

Delay Social Security while converting. Delaying Social Security to 70 while living on IRA drawdowns or Roth conversions does double duty: it increases your eventual Social Security benefit by approximately 8% per year while simultaneously reducing the IRA balance that will be subject to RMDs. Two problems addressed with one strategy.

The common thread in all four approaches is timing. The RMD blindside is not an unavoidable fate — it is the predictable consequence of ignoring a known problem for too long. The window to act is the decade or so between retirement and age 73. Retirees who use that window deliberately arrive at 73 with a smaller traditional IRA, a larger Roth, a higher Social Security benefit, and a far more manageable tax picture for the rest of their lives. Those who wait discover at 73 that the window has closed.

Pitfall Four: Underestimating Healthcare Costs

Of all the expenses that derail retirement plans, healthcare is the most consistently underestimated — and the most dangerous to ignore. It is the one category where costs are both highly uncertain and potentially unlimited, and where the gap between what people expect to pay and what they actually pay can be measured in hundreds of thousands of dollars.

Consider the basic landscape. Medicare begins at 65, but it is not free and it is not comprehensive. Part B premiums, Part D drug coverage, supplemental Medigap policies, dental, vision, and hearing — none of which Medicare covers adequately — can easily run $5,000 to $10,000 per year per person even for healthy retirees. For those retiring before 65, the situation is more acute: you must bridge the gap to Medicare eligibility entirely on your own, and individual health insurance on the open market can cost $1,000 to $2,000 or more per month for a couple in their early 60s.

Then there is long-term care — the category that can truly exhaust a retirement portfolio. The Department of Health and Human Services estimates that approximately 70% of people turning 65 today will need some form of long-term care during their lifetime. The average annual cost of a private room in a nursing home now exceeds $100,000 per year and rising. Medicare covers only short-term skilled nursing care under specific conditions — it does not cover custodial care, which is what most people actually need when they can no longer fully care for themselves. Medicaid covers long-term care, but only after you have spent down nearly all of your assets. For a couple who has spent decades building wealth, that is not a plan — it is a catastrophe.

There are several ways to address this:

Fund your HSA aggressively and preserve it. For those enrolled in a qualifying high-deductible health plan during their working years, the Health Savings Account is the most tax-efficient vehicle in the entire tax code for addressing healthcare costs — contributions are pre-tax, growth is tax-free, and withdrawals for qualified medical expenses are tax-free at any age. Unlike a Flexible Spending Account, HSA funds roll over indefinitely and can be invested in index funds to grow over decades. The strategy most financial planners recommend is to pay current medical expenses out of pocket during your working years — preserving receipts for reimbursement later if needed — and allow the HSA balance to compound untouched until retirement, when healthcare costs are highest. A couple that maximizes HSA contributions for twenty years and invests the balance in a low-cost index fund could accumulate $300,000 to $400,000 specifically earmarked for tax-free medical spending.

Consider long-term care insurance or hybrid policies. Traditional long-term care insurance has become expensive and harder to obtain with age, but hybrid life insurance and annuity products that include long-term care riders have become increasingly viable alternatives. The time to investigate these is in your 50s, before health conditions make qualification difficult or premiums prohibitive.

Bridge the gap to Medicare creatively. For those retiring before 65, several options exist beyond the open market. Faith-based health-sharing ministries — including Samaritan Ministries and Medishare, which my wife and I use — offer lower-cost, high-deductible coverage built around a community of shared values rather than traditional insurance. COBRA coverage from a former employer can bridge a short gap. A spouse's employer plan may be available. Each option has tradeoffs in cost, coverage, and network that are worth evaluating carefully against your specific health situation.

Plan for the IRMAA surcharge. As covered in the next pitfall, high income in retirement triggers surcharges on Medicare premiums that can add thousands of dollars per year to your healthcare costs. Managing taxable income through Roth conversions, QCDs, and careful withdrawal sequencing is not just a tax strategy — it is a healthcare cost strategy as well.

The honest bottom line is that healthcare is the retirement expense most likely to be larger than you planned for, arrive sooner than you expected, and last longer than you hoped. The retiree who has accumulated substantial wealth but given no thought to healthcare funding has built a machine with a potentially catastrophic leak. Addressing it deliberately — through HSA accumulation, insurance planning, and income management — is not optional for anyone who wants their retirement to remain financially intact.

Pitfall Five: The IRMAA Surcharge

Most retirees know that Medicare has premiums. Very few know that those premiums can be two, three, or even four times higher depending on their income — and that the income used to calculate the surcharge is from two years ago, not the current year. By the time you realize you owe the surcharge, it is already too late to avoid it for that year.

IRMAA stands for Income-Related Monthly Adjustment Amount. It is the mechanism by which Medicare charges higher-income retirees significantly more for Part B (medical coverage) and Part D (prescription drug coverage) premiums. It is not a penalty for doing something wrong. It is simply a surcharge triggered automatically when your Modified Adjusted Gross Income (MAGI) exceeds certain thresholds — and those thresholds are lower than most financially successful retirees expect.

The numbers are significant. In 2026, the standard Medicare Part B premium is approximately $185 per month per person. For a married couple both on Medicare, that is $370 per month or $4,440 per year — already a meaningful expense. But IRMAA can more than double that figure. At the highest income tier, each person pays approximately $628 per month for Part B alone, plus additional surcharges on Part D. For a couple at the highest bracket, total Medicare premium costs can reach $18,000 to $20,000 per year —

compared to roughly $4,400 for a couple at the standard rate. That is a difference of $13,000 to $15,000 per year, every year, for as long as both spouses are on Medicare.

The two-year lookback is the feature that blindsides people most. Medicare uses your tax return from two years prior to set your current year premiums. This means the Roth conversion you did at 63, the rental property you sold at 65, or the large IRA withdrawal you took at 67 can all generate IRMAA surcharges two years later — often at a moment when you have no memory of the triggering event and no ability to undo it. The surcharge is recalculated every year, so a single high-income year creates a single high-premium year two years later. But a pattern of high-income years — large RMDs, ongoing rental income, consistent IRA withdrawals — can keep you in elevated IRMAA brackets indefinitely.

What triggers IRMAA and what doesn't. Every dollar of the following counts toward your MAGI for IRMAA purposes: traditional IRA and 401(k) withdrawals, Roth conversions, rental income, capital gains from asset sales, wages, Social Security benefits (the taxable portion), interest and dividends, and required minimum distributions. What does not count: Roth IRA withdrawals, Qualified Charitable Distributions, and return of basis from after-tax contributions. This distinction is one of the most powerful practical arguments for building a substantial Roth balance and using QCDs generously — both strategies reduce MAGI and therefore reduce or eliminate IRMAA surcharges.

The IRMAA thresholds for 2026 begin at $212,000 MAGI for married couples filing jointly. Above that threshold, surcharges kick in across five tiers, with the highest tier beginning at approximately $750,000. For most retirees with substantial traditional IRA balances, rental income, and Social Security, staying below $212,000 in MAGI requires deliberate planning — particularly in years when RMDs are large or a property is sold.

Four strategies to manage IRMAA exposure:

First, begin monitoring and managing your MAGI at age 63 — two years before Medicare begins — so that your income in the years immediately before Medicare enrollment does not unnecessarily trigger surcharges in your first years of coverage. This is the most commonly missed window.

Second, execute Roth conversions strategically during low-income years, ideally before RMDs begin. Each dollar moved to a Roth permanently reduces future MAGI from RMDs, compounding the IRMAA benefit year after year for the rest of your life.

Third, use Qualified Charitable Distributions to satisfy RMD requirements without adding to MAGI. A $50,000 QCD that satisfies your RMD obligation adds zero dollars to your MAGI — potentially keeping you in a lower IRMAA bracket and saving thousands of dollars in Medicare premiums.

Fourth, be deliberate about the timing of large taxable events — property sales, large IRA withdrawals, Roth conversions — to avoid stacking income in a single year that creates a two-year IRMAA consequence disproportionate to the benefit of the transaction.

One important relief valve: if your income drops significantly due to a life-changing event — retirement, divorce, death of a spouse, reduction in work hours, or loss of income-producing property — you can appeal your IRMAA surcharge to the Social Security Administration using Form SSA-44. Medicare will recalculate your premium based on more recent income rather than the two-year lookback. This appeal process is underused and worth knowing about.

The IRMAA surcharge is not the largest financial risk in retirement, but it is one of the most avoidable — and most people learn about it only after they have already triggered it. For the financially successful retiree who has done everything right, paying an unnecessary $13,000 per year in Medicare premiums because of poor income sequencing is an expensive and entirely preventable mistake. Treat IRMAA planning as a year-round discipline beginning at 63, not a surprise to manage at 65.

When Should You Claim Social Security? The Case For and Against Claiming Early

Five Reasons to Claim Early

1. **The first years of retirement are the most dangerous for your portfolio.** A market crash in year two of retirement does permanent damage that a crash in year twelve does not. Every dollar of Social Security you receive early is a dollar you don't have to pull from a

declining portfolio. This sequence-of-returns protection is real and underappreciated.

2. **You might not make it to the break-even age.** The math only favors delay if you live past 82 or 83. A significant portion of retirees — particularly men, those with health conditions, or family history of shorter lives — won't. Population averages hide enormous individual variation. Only you know which side of that table you're likely to land on.

3. **Early benefits are real money you can use, invest, or give away.** A delayed benefit is a promise contingent on your survival. Benefits received at 62 are actual dollars — investable, giftable, available for experiences while your health permits. That optionality has genuine value that a spreadsheet rarely captures.

4. **The invest-and-beat-it strategy is mathematically viable.** If you claim at 62 and actually invest the full benefit — not spend it — at five to seven percent real returns, you can outperform the delayed claiming strategy provided you don't live far past the break-even age. Not guaranteed, but not a fantasy either.

5. **A dollar at 62 buys more happiness than a dollar at 84.** This isn't sentiment — economists call it consumption smoothing. Spending capacity matters most when health, mobility, and opportunity are greatest. A retirement income strategy that hoards its biggest resources for the final, most constrained years of life may be optimizing for the wrong objective entirely.

Five Reasons to Wait

1. **Delay is the best longevity insurance money can't buy.** Every year you wait past full retirement age, your benefit grows by roughly eight percent — guaranteed, inflation-adjusted, and backed by the federal government for life. No annuity, no bond, nothing in the private market comes close to those terms. If you're healthy and worried about outliving your money, this is the most powerful move

available to you.

2. **For married couples, the survivor benefit changes everything.** The higher-earning spouse's decision to delay isn't just about their own lifespan — it's about the longer of two lives. When that spouse dies, the surviving partner steps up to the larger benefit permanently. This single factor overrides most early-claiming arguments for couples with a meaningful income gap between spouses.

3. **A bigger income floor means your portfolio never has to work as hard.** The larger your guaranteed monthly income, the smaller the withdrawal rate your portfolio must sustain — for the rest of your life, including the years when you can no longer earn, adapt, or recover from mistakes. That permanent reduction in drawdown pressure is not a balance sheet optimization. It is protection against the worst realistic retirement outcome.

4. **The gap years before 70 are a tax planning gift.** The window between retirement and age 70 — no wages, no Social Security, no RMDs — is one of the lowest-tax periods of your financial life. Use it for Roth conversions and IRA drawdowns at favorable rates. Claim Social Security early and you crowd out that window with taxable income precisely when your tax rate would otherwise be at its lowest.

5. **Most people won't actually invest the early benefit.** The invest-and-beat-it strategy requires consistent discipline over many years — investing every check, staying the course through volatility, never raiding the account. Research on investor behavior is not encouraging. Delay converts that uncertain behavioral requirement into a guaranteed income stream that requires no discipline whatsoever. For most people, the strategy they will actually execute beats the strategy that looks best on paper.

The Honest Bottom Line

This decision is really about which risk you most need to insure against.

Claim early if you want protection against dying before the break-even age or a market crash in the early years of retirement. This is most rational for single individuals in below-average health with limited savings and high liquidity needs.

Claim later if you want protection against living longer than expected and running out of money when you can no longer earn it. This is most rational for married couples, healthy individuals with sufficient assets to bridge to 70, and anyone for whom financial vulnerability in very old age is the dominant fear.

Neither answer is universally right. But knowing which risk keeps you up at night will tell you more about the right answer than any break-even calculation.

Strategic Moves to Make Before and During Retirement

Maximize Your Roth IRA or Roth 401(k)

$7,000 per year at ten percent annual return, maintained from age 30 to age 62, grows to approximately $1.4 million — every dollar of which is tax-free in retirement.

Execute a Graduated Roth Conversion

If you have accumulated a large traditional IRA, begin converting strategically in your low-income years. Converting too much at once pushes you into higher brackets. Converting gradually, over ten to twenty years, allows you to move the money at the lowest possible tax cost.

Be Strategic About Withdrawal Order

A useful general framework: draw from taxable accounts first (brokerage accounts with long-term capital gains treatment); draw from traditional IRAs and 401(k)s next; draw from Roth accounts last (tax-free growth is maximized the longer you wait).

Think About Your Heirs

Three vehicles are especially favorable for heirs: low-cost index funds held in taxable accounts (receive a stepped-up cost basis at death, eliminating capital gains); Roth IRAs (pass to heirs without income tax owed); and rental properties (also receive a stepped-up basis at death, erasing accumulated capital gains and resetting the depreciation schedule).

The Go-Go, Slow-Go, and No-Go Years

Most retirement plans treat retirement as a single, uniform phase of life. Fund the accounts, set the withdrawal rate, and let the math run. But anyone who has spent time around people in their 60s, 70s, and 80s knows that retirement is not one thing. It is three very different things that happen in sequence — and the financial strategies appropriate for each phase are not the same.

Financial planner Michael Stein first articulated this framework in his 1998 book The Prosperous Retirement, describing retirement as moving through three distinct phases: the Go-Go years, the Slow-Go years, and the No-Go years. The framework has become foundational in retirement planning precisely because it matches what actually happens to people — physically, financially, and spiritually — rather than what a spreadsheet assumes.

Phase One: The Go-Go Years (Roughly Ages 62–75)

The Go-Go years are the active phase of retirement. Health is generally good. Energy is available. Mobility is intact. This is the phase you have been picturing when you imagined retirement: travel, grandchildren, hobbies, volunteering, adventure, and the projects and experiences that working life never had room for. The Go-Go years are when the experiential return on a dollar is highest — what Bill Perkins calls the peak of the memory dividend curve — and when spending most closely resembles or exceeds pre-retirement levels.

Research consistently confirms this pattern. Studies from the Employee Benefit Research Institute and Morningstar's retirement research team have found that retiree household spending is highest in the first decade of retirement, often equaling or modestly exceeding pre-retirement spending. Travel expenditures in the Go-Go phase can run $8,000 to $15,000 per year or more for active couples. Home renovation, gifts to adult children, charitable giving, and recreational pursuits all tend to cluster in this phase. The widely used four percent safe withdrawal rule was originally designed with this kind of early-retirement spending in mind.

The financial implication: do not underestimate Go-Go spending in your plan. Many retirees project a flat or declining spending curve and find themselves surprised by how much the first decade of retirement actually costs. Budget generously for this phase. These years are not the time to be miserly with resources you have spent decades accumulating. They are the time to convert those resources into experiences, memories, relationships, and generosity while your capacity to do so is at its fullest.

Phase Two: The Slow-Go Years (Roughly Ages 75–85)

The Slow-Go years arrive gradually, often without a clear announcement. Travel becomes less frequent and less ambitious. Long international trips give way to domestic ones; domestic trips give way to regional ones. Energy declines. Chronic health conditions begin to accumulate. Social circles narrow as contemporaries face their own health challenges. The world does not shrink all at once — it contracts incrementally, season by season.

Spending patterns shift significantly. According to the Bureau of Labor Statistics Consumer Expenditure Survey, households headed by someone aged 75 or older spend approximately 20 to 25 percent less in total than households headed by someone aged 65 to 74. Discretionary travel and entertainment decline sharply. But healthcare costs rise to partially offset the savings: the average 75-year-old spends more than three times as much on healthcare as the average 65-year-old. The net result is a modest overall spending decline, not the dramatic drop that optimistic retirement models often assume.

The Slow-Go years are also when managing a complex financial portfolio, multiple properties, and diverse income streams can begin to feel burdensome. This is the phase when the simplification and automation principles discussed earlier in this book pay their deepest dividends. Systems that largely run themselves are not merely convenient at this stage. They are protective — guarding against the fatigue, the decision-making errors, and the financial vulnerability that complexity creates when cognitive energy begins to wane.

Phase Three: The No-Go Years (Roughly Age 85 and Beyond)

The No-Go years are characterized by significant physical limitation, increasing dependence, and eventually the need for formal care. Mobility is substantially reduced. Independent living may no longer be possible. Discretionary spending on travel, entertainment, and recreation falls dramatically — often to near zero. What rises sharply in its place is the cost of care.

The numbers are sobering. The Department of Health and Human Services estimates that approximately 70 percent of people turning 65 today will need some form of long-term care during their lifetime, with the average duration of need running nearly three years. The average annual cost of a private room in a nursing home now exceeds $100,000. Assisted living runs $50,000 to $70,000 per year. Home health aide services, at eight hours per day, amount to $73,000 to $102,000 annually. Medicare covers none of this for the long term. Medicaid covers it only after you have spent down virtually all of your assets.

The irony of the No-Go years is that the discretionary spending of the Go-Go years has vanished, but the non-discretionary cost of simply existing has exploded. A retiree who was spending $80,000 per year on an active lifestyle at 68 may be spending only $30,000 on discretionary items at 88 — but $90,000 on care. The total may be higher at 88 than at 68, not because of anything they chose, but because of what they need.

Why This Framework Changes Your Plan

The Go-Go, Slow-Go, No-Go framework has several practical implications that a flat spending assumption entirely misses.

First, it validates spending more in your early retirement years, not less. The common instinct to be conservative in early retirement — to preserve the portfolio for later — is based on a misunderstanding of what later actually costs. Later is expensive because of care, not lifestyle. Care costs are largely non-negotiable, cannot be deferred, and tend to arrive suddenly. Hoarding resources in the Go-Go years to preserve them for the No-Go years often means failing to live fully during the only phase when full living is possible.

Second, it makes the case for dedicated long-term care planning as a separate financial category. Most retirement plans fund a single pool of assets and assume withdrawals will cover whatever comes up. But No-Go care costs are large enough, unpredictable enough, and concentrated enough in time to warrant their own dedicated strategy — whether through long-term care insurance, a hybrid life insurance policy with a care rider, aggressive HSA accumulation, or a specific portfolio reserve. Vague assumptions are not a plan.

Third, it reframes the Social Security timing decision. Delaying Social Security to 70 maximizes the guaranteed income floor during the Slow-Go and No-Go years — precisely the years when your ability to earn, adapt, or recover has diminished most. The retiree who delays Social Security and bridges the gap with portfolio withdrawals is not sacrificing early retirement security. They are purchasing an inflation-adjusted income guarantee for the hardest years, when that guarantee is most valuable and most irreplaceable.

Fourth, it gives the Roth conversion strategy its full weight. The window between retirement and age 73 — the ideal Roth conversion period — falls squarely in the Go-Go years. This is when you are cognitively sharpest, most financially engaged, and most capable of complex multi-year strategic decisions. The Slow-Go and No-Go years are not the time to be executing sophisticated tax maneuvers. The planning belongs in the Go-Go years, while you have both the capability and the time horizon to make it count.

Here is how the three phases compare across the dimensions that matter most:

	Go-Go (Ages 62–75)	**Slow-Go (Ages 75–85)**	**No-Go (Age 85+)**
Health	Good — active, mobile	Declining — some limits	Significant limitations or care needed
Discretionary Spending	Highest — travel, experiences, giving	Moderate — reduced activity	Low — minimal discretionary

Healthcare Costs	Modest — routine	Rising — chronic conditions	High — long-term care risk
Financial Complexity	Can handle active management	Simplification critical	Delegate to trusted others
Key Priority	Spend fully, Roth conversions, delay SS	Manage RMDs, preserve simplicity	Funded care plan is essential
Primary Risk	Under-spending during peak years	Sequence of returns, cognitive load	Care cost exhaustion

The Go-Go, Slow-Go, No-Go framework is ultimately a call to intentionality at every stage. Plan for the Go-Go years to be active and generous — because they should be. Plan for the Slow-Go years to be simple and streamlined — because complexity becomes a burden. And plan now for the No-Go years to be financially secure regardless of how long they last — because that security cannot be created after the fact. The machine you have built is not just a wealth engine. It is, ultimately, a care plan for the person you will become.

On Dying Well: A Biblical Framework for Using Your Money

Bill Perkins spent his career in the energy trading business, made and lost fortunes, and somewhere in the middle of a life lived at full intensity arrived at a question that most financial books never ask: what is the point of all this money if you die with it unspent?

His answer, laid out in *Die with Zero*, is as provocative as the title suggests — and far more rigorous than it sounds. Perkins is not advocating recklessness. He is making a precise mathematical and philosophical argument that most people, including many who consider themselves financially sophisticated, are making a systematic error in how they think about money and time.

Perkins' core arguments

The central insight is deceptively simple: your life consists of a finite number of experiences, and experiences require two things — money and health. The tragedy Perkins identifies is that most people optimize for money at the expense of time, accumulating financial resources far past the point where they have the health and vitality to convert those resources into meaningful experiences. They arrive at the end of life with a full bank account and an empty memory bank.

He introduces the concept of *memory dividends* — the idea that experiences generate not just immediate pleasure but lasting returns in the form of memories that enrich your life for years afterward. A trip taken at 50 produces decades of warm memories, stories, and meaning. The same trip taken at 80 — if health permits it at all — produces far fewer years of dividends. The implication is that a dollar spent on a meaningful experience at 55 produces a higher total return than the same dollar spent at 75, even setting aside the question of whether you will be alive or mobile enough to spend it at all.

This leads to one of his most counterintuitive recommendations: *think about your life in seasons and allocate resources accordingly*. The season between 45 and 60 — when you are likely at or near peak earning power, your children are growing up or leaving home, your health is still robust, and your parents are still alive — is the season with the highest capacity to convert money into meaningful experience. It is also, paradoxically, the season when most financial advice tells you to save the most aggressively and spend the least. Perkins argues this is backwards. You are not saving for retirement. You are saving for the right season — and the right season for many of life's most important experiences is not retirement. It is now.

He makes a related point about *giving money to your children while you are alive to see it used*. Most inheritance transfers at death, when the recipient is often in their 50s or 60s — already financially established, past the years of maximum need, and unable to share the experience of the gift with the giver. Perkins argues that money given to a 30-year-old child — for a down payment, a business, an education, a formative experience — produces vastly more value than the same money transferred at death two decades later. The giver gets to witness the impact. The receiver gets the help when it matters most.

Both parties share an experience that creates its own memory dividend.

Perhaps his most sobering observation is what he calls *the dying curve* — the documented pattern by which spending ability, health, and mobility all decline together in the final years of life, often faster than people expect. Most people plan their finances as though their capacity for experience will remain constant until death and then simply stop. The reality is a gradual narrowing: first adventure travel, then international travel, then domestic travel, then day trips, then local outings, then the neighborhood, then the house, then the room. The money accumulated for experiences in the final chapter often goes unspent not because of discipline but because of incapacity. Perkins is not being morbid — he is being honest about a trajectory that financial planning almost never incorporates.

Where Perkins is right — and where believers part ways

Perkins is right about several things that most financial books get wrong. He is right that time is the scarcest resource and that treating it as infinitely available is a form of self-deception. He is right that experiences are often more valuable than possessions, and that memory dividends are real and compounding. He is right that giving money while alive is more meaningful than leaving it at death. He is right that the dying curve is real and that waiting too long to live fully is a genuine financial error, not just a philosophical one.

Where believers part ways with him is on the ultimate purpose of accumulation. Perkins frames the goal as maximizing net fulfillment — a life rich in experiences, memories, and meaningful relationships, ending with the financial tank approximately empty. It is a compelling framework for a secular life well-lived.

But for the Christian, the framework is different in a way that changes the calculus entirely. We are not accumulating wealth to consume it. We are stewarding it in service of something larger than ourselves and longer than our lifetimes. Jesus' Parable of the Rich Fool in Luke 12 tells of a man who built larger and larger barns to contain his surplus, planning to retire and enjoy his plenty — only to have God take his life that very night. The lesson is not that enjoyment is wrong. It is that a life organized entirely around self-provision and self-consumption — even a comfortable, well-planned one — misses the point entirely.

Jesus offers a different investment thesis: "Use worldly wealth to gain friends for yourselves, so that when it is gone, you will be welcomed into eternal dwellings" (Luke 16:9). The language is striking — use worldly wealth. Not hoard it, not optimize it, not maximize it. Use it. Deploy it in ways that produce eternal returns rather than merely temporal ones. Money given to fund a missionary, restore a broken family, educate a child who would otherwise go without, or sustain a church that anchors a community is money that produces dividends on a timeline that no financial spreadsheet can model.

Paul captures the balance with characteristic precision: "Godliness with contentment is great gain. For we brought nothing into the world, and we can take nothing out of it" (1 Timothy 6:6–7). The goal is not net worth. The goal is not even net fulfillment in Perkins' sense — though joy, memory, and generous living are all consistent with it. The goal is faithfulness with what you have been given, for as long as you have been given it.

A synthesis worth holding

Here, perhaps surprisingly, Perkins and Paul are not as far apart as they might initially appear. Both are arguing against the same error: the compulsive, anxious accumulation of resources that are never converted into anything of lasting value. Both are insisting that money is a means, not an end. Both are warning against arriving at the end of life having optimized for a number rather than a life.

Where they differ is in what that life is for. Perkins says it is for experiences, memories, relationships, and the full expression of what it means to be alive. Paul says it is for those things and something more — for faithfulness, generosity, worship, and the eternal relationships that money can serve but never replace.

The practical implication for the reader of this book is this: build the machine. Accumulate the assets. Create the passive income. Fund the retirement. But do not mistake the machine for the point. The machine exists to set you free — free to give generously while you are alive to see the impact, free to invest in the experiences and relationships that produce memory dividends for decades, free to deploy your resources in the seasons of life when they will do the most good, and free to hold all of it loosely enough that when the time comes to leave it behind, you do so without regret and without remainder.

The prophet Agur prayed for neither poverty nor riches — just enough to best honor God (Proverbs 30:7-9). That prayer is the right one. Not so little that survival crowds out everything else. Not so much that maintenance of wealth becomes its own full-time occupation. Enough. Enough to live fully, give generously, love extravagantly, and arrive at the end having spent yourself — not your money — in service of something worth the spending.

Your Will, Your Trust, and Your Legacy

There is a particular kind of financial negligence that affects otherwise careful, disciplined people — people who have spent decades building wealth deliberately, maximizing retirement accounts, paying down debt, and constructing passive income streams with patience and precision. They do all of that correctly, and then they die without a will.

It happens more often than you would expect. According to multiple surveys, more than half of American adults have no will and no estate plan whatsoever. Among people with significant assets — the exact people for whom the stakes are highest — the figure is still alarmingly high. The reasons are familiar: it feels morbid, it keeps getting postponed, it seems complicated, and the consequences of inaction are invisible until they aren't.

When they aren't, the consequences are severe.

What happens when you die without a plan

If you die without a will — intestate, in legal terms — the state where you live applies its own intestacy laws to distribute your assets. Those laws follow a fixed formula based on family relationships, and they have no knowledge of and no interest in your actual wishes. The estranged sibling you haven't spoken to in twenty years may inherit alongside the child you raised. The longtime partner you never married may receive nothing, regardless of how many years you shared a life. The charitable organization you intended to remember may never know you existed.

Beyond distribution, dying without a plan creates an administrative burden for the people you love at the moment they are least equipped to handle it. Without a designated executor, a court must appoint one — a process that takes time, costs money, and may result in someone managing your estate who you would never have chosen. Without a healthcare directive, medical decisions in a crisis fall to whoever is present and willing to make them, which may produce exactly the outcome you would have opposed. Without a financial power of attorney, your spouse or children may be unable to access accounts, pay bills, or manage your affairs even in an obvious emergency — because the institutions holding your assets have no legal authority to honor requests from anyone other than the account holder.

None of this is hypothetical. These scenarios play out in courtrooms and hospital rooms and family dining rooms every day, in families that had every intention of getting around to the paperwork eventually.

The three documents everyone needs

Estate planning sounds intimidating. For most people, it comes down to three core documents that can be completed in an afternoon.

The Last Will and Testament is the foundation. It specifies who receives your assets, names the executor who will carry out your instructions, designates a guardian for minor children, and expresses any specific wishes — personal property, charitable gifts, funeral preferences — that you want honored. Without it, you have no voice in any of these decisions. With it, you have the last word.

A will does not need to be complex to be effective. A straightforward will for a person with a clear picture of their assets and beneficiaries can be drafted in an hour. What it does need to be is current — a will written before your second marriage, the birth of additional children, or a significant change in assets may distribute your estate in ways you no longer intend. Review it every three to five years and after every major life event.

The Healthcare Directive, also called a Living Will or Advance Healthcare Directive, addresses the question that families find most agonizing: what do you want done if you cannot speak for yourself? It designates a healthcare proxy — the person authorized to make medical decisions on your behalf — and specifies your wishes regarding life-sustaining treatment, resuscitation, artificial nutrition, organ donation, and related matters.

The absence of this document does not just create legal uncertainty. It places an unbearable burden on the people who love you most. Family members forced to make end-of-life decisions without guidance often disagree with each other, sometimes bitterly and permanently. They wonder whether they are honoring your wishes or imposing their own. They carry that uncertainty for the rest of their lives. A healthcare directive resolves all of this in advance, at no emotional cost to you and at incalculable value to them.

The Financial Power of Attorney designates someone to manage your financial affairs if you become incapacitated — unable to manage your own accounts, sign documents, pay bills, or make financial decisions due to illness, injury, or cognitive decline. Without it, even a spouse may face legal obstacles accessing joint accounts or managing assets in your name alone. With it, your designated agent can act immediately and fully on your behalf without court intervention.

A durable power of attorney — one that remains effective even if you become mentally incapacitated — is specifically what you want. A standard power of attorney may lapse precisely when it is most needed.

The cost of procrastination

These three documents, taken together, represent the legal infrastructure of your financial life. They are the difference between your wealth transferring according to your intentions and transferring according to a formula written by legislators who never met you. They protect your family from legal limbo, financial paralysis, and the particular cruelty of being unable to honor the wishes of someone they loved because those wishes were never written down.

My wife and I completed all three through LegalZoom at a cost of $99. For straightforward situations, online services like LegalZoom and similar platforms are entirely adequate. For more complex estates — significant assets, blended families, business ownership, properties in multiple states, or beneficiaries with special needs — the investment in a qualified estate planning attorney is money well spent. Expect to pay $1,000 to $2,500 for a comprehensive attorney-drafted plan, which is a trivial fraction of the estate it protects.

Either way, the cost is not the barrier. The barrier is the same one that keeps people from writing their wills for decades: the discomfort of confronting mortality directly. That discomfort is real and understandable. It is also, in the end, a luxury your family cannot afford.

On leaving something behind

There is a deeper dimension to estate planning that goes beyond documents and legal instruments. The Proverb says a good man leaves an inheritance to his children's children — not just his children, but the generation after. That is a multigenerational vision of stewardship, and it requires more than wealth. It requires the structure to transfer that wealth intact, the wisdom to transfer it responsibly, and the example that gives the recipients the judgment to use it well.

The will, the directive, and the power of attorney are the legal infrastructure of that legacy. But the real legacy is something no document can fully capture: the model of how to handle money — with discipline, generosity, patience, and purpose — that your children have watched you demonstrate over a lifetime. That inheritance compounds in ways that no index fund can measure. And unlike a brokerage account, it cannot be taxed, contested, or lost in probate.

Build the documents. But remember that the most important thing you leave behind is already being written, one financial decision at a time, in the lives of the people watching you.

Trusts, Transfer on Death, and Probate

Most people spend decades building wealth carefully and deliberately — and then do almost nothing to ensure it transfers to their heirs efficiently. The result is that a meaningful portion of that wealth ends up consumed by legal fees, court costs, and delays that were entirely avoidable. The vehicle for that consumption is called probate, and understanding it is one of the most important — and most neglected — elements of a complete financial plan.

What probate actually is and why it matters

Probate is the legal process by which a court validates your will, appoints an executor, inventories your assets, pays your outstanding debts and taxes, and supervises the distribution of what remains to your heirs. It sounds orderly. In practice it is slow, expensive, public, and often contentious.

Slow: probate typically takes six months to two years to complete, and complex estates or contested wills can drag on far longer. During that period, your heirs may have limited or no access to the assets — including, potentially, the family home.

Expensive: probate costs vary by state but commonly run two to four percent of the gross estate value in attorney fees, executor fees, court costs, and administrative expenses. On a $2 million estate, that is $40,000 to $80,000 extracted from what you intended to leave your children — not because of taxes, but because of paperwork.

Public: probate is a court proceeding, which means your will, your assets, your debts, and the identities of your beneficiaries all become part of the public record. Anyone — including estranged relatives, creditors, or predators — can review the details of your estate.

Contentious: the probate process creates a formal legal forum in which unhappy relatives can contest your will, challenge the executor, or dispute asset valuations. Even when challenges fail, they cost time and money and inflict enormous emotional damage on families already grieving.

None of this is inevitable. With modest planning — most of which costs less than a nice dinner — you can ensure that virtually your entire estate passes directly to your heirs, immediately, privately, and without court involvement.

Tool One: Beneficiary Designations — Free and Immediate

The simplest and most overlooked probate-avoidance tool is also the most powerful for most people: beneficiary designations on financial accounts.

Every bank account, brokerage account, IRA, 401(k), and life insurance policy allows you to name a beneficiary for Payment on Death (POD) or Transfer on Death (TOD). When you die, the account passes directly and immediately to the named beneficiary — no court, no probate, no delay, no cost. The beneficiary presents a death certificate and identification, and the assets are transferred. It is that simple.

The catch is that most people either never complete these designations or complete them once and forget to update them. A 401(k) that still names an ex-spouse as beneficiary will pass to that ex-spouse regardless of what your will says, because the beneficiary designation supersedes the will. A brokerage account with no beneficiary named will pass through probate, even if everything else in your estate avoids it.

The action items are straightforward: log into every financial account you own and verify the beneficiary designations today. Update them after every major life event — marriage, divorce, birth of a child, death of a named beneficiary. Name both a primary and a contingent beneficiary so that if your primary beneficiary predeceases you, the assets still pass cleanly. This takes minutes and costs nothing, but it may be the single most impactful hour you spend on estate planning.

Tool Two: Transfer on Death Deeds for Real Property

Financial accounts are easy. Real estate is more complicated, because property cannot be transferred by a simple beneficiary designation the way a bank account can — at least not without a specific legal instrument.

A Transfer on Death deed (also called a TOD deed or, in some states, a beneficiary deed) solves this problem cleanly. You record a deed at your county courthouse that names the beneficiaries who will receive the property upon your death. During your lifetime, the deed has no effect — you retain full ownership, can sell or refinance the property, and can revoke or change the TOD designation at any time. When you die, the property transfers automatically to the named beneficiaries without probate, without court involvement, and without delay.

The cost is minimal. In Dallas County, recording a TOD deed costs approximately $30 per property. For my three rental properties, I spent $90 to remove nearly $3 million in real estate from the probate process entirely. That is arguably the highest return on a $90 investment available anywhere in personal finance.

Not every state recognizes TOD deeds — currently about thirty states do — so verify availability in your state before relying on this tool. Where available, it is the simplest and cheapest way to handle real estate transfer for owners of one to several properties.

Tool Three: The Living Revocable Trust

For more complex situations — multiple properties, properties in more than one state, blended families, minor children, or significant assets requiring ongoing management — a Living Revocable Trust is the more comprehensive solution.

A living trust is a legal entity you create during your lifetime to hold your assets. You transfer ownership of your property — real estate, bank accounts, investments, business interests — into the trust, naming yourself as the trustee and maintaining full control during your lifetime. You manage the assets exactly as you did before; the trust is largely invisible in day-to-day life. When you die, your named successor trustee takes over and distributes the assets to your beneficiaries according to your instructions — immediately, privately, and completely outside the probate process.

The advantages over a simple will are significant. Because the trust, not you personally, owns the assets, there is nothing for the probate court to process. Distribution can happen in days rather than months or years. The details remain entirely private. The trust can include detailed instructions for complex situations — staggered distributions to young beneficiaries, provisions for a special needs dependent, management instructions for rental properties, or conditions attached to gifts. And because the trust governs all assets held within it regardless of location, it avoids the particularly expensive problem of ancillary probate — the requirement to open a separate probate proceeding in every state where you own real property.

The primary disadvantage is cost and complexity relative to simpler tools. A properly drafted living trust from an estate planning attorney typically costs $1,500 to $3,000 or more. Online services like LegalZoom offer living trust packages for approximately $400 — a reasonable option for straightforward situations, though anyone with a complex estate, significant assets, or family circumstances that require careful drafting should invest in qualified legal counsel. The trust also requires funding — actually transferring your assets into it — which is a step many people complete the trust document and then neglect, rendering the trust ineffective.

Tool Four: The Pour-Over Will

Even with a living trust, you should still have a will — specifically, a pour-over will. This document instructs that any assets you own at death that were not transferred into your trust during your lifetime should be "poured over" into the trust upon your death and distributed according to its terms. It is a safety net that catches assets you forgot to transfer, acquired after establishing the trust, or were simply unable to transfer in time. Assets caught by the pour-over will still pass through probate, but the pour-over will ensures they ultimately end up in the right place rather than distributed according to state intestacy laws.

Putting It Together: A Practical Framework

For most readers of this book, the right approach depends on the complexity of your situation:

If you own financial accounts but no real estate, beneficiary designations on every account are sufficient and cost nothing. Do this today.

If you own one to several properties in a single state, add TOD deeds for each property at your county courthouse. Cost: $30 to $50 per property depending on your county. Time: one afternoon.

If you own multiple properties across different states, have a blended family, own a business, or have an estate complex enough to require careful management and distribution instructions, establish a living revocable trust. Budget $400 to $3,000 depending on complexity and whether you use an online service or an attorney.

In every case, pair these tools with a pour-over will, a healthcare directive, and a durable power of attorney — documents that address what happens not just when you die but if you become incapacitated before you die. My wife and I completed all of these through LegalZoom at a combined cost under $200. It is not a glamorous expense. It is one of the most responsible financial decisions we have made.

The cost of doing nothing

The people who suffer most from probate are not the wealthy — they have attorneys who ensure their estates are properly structured. They are the moderately wealthy: the retiree with $800,000 in a brokerage account and no beneficiary designation, the landlord with three rental properties and no TOD deeds, the business owner with no succession plan. These are people who built real wealth and then handed a meaningful portion of it to the legal system through simple inaction.

The instruments described in this section are not complicated. They do not require a law degree, a large fee, or more than a few hours of your time. They require only the same deliberate attention that you gave to building your wealth in the first place. The machine you have built deserves a proper transfer plan. The people you are leaving it to deserve to receive it intact.

The inheritance you leave is not only the money. It is the wisdom, the structure, and the example.

Chapter 9 Worksheet — Your Retirement Plan

My target retirement age:

____

Annual expenses I expect in retirement (in today's dollars): $

____

My retirement number (annual expenses × 25): $

____

My current retirement savings: $ **My gap: $**

____

Biggest retirement risks (circle): Longevity / Healthcare costs / RMDs / Sequence of returns / Inflation

____

One action I will take in the next 30 days to close my retirement gap:

____

____

The Plan, Assembled

Retirement is not an event. It is a destination — one you reach only if you have been walking toward it for decades. The walking requires a few non-negotiable disciplines:

- Start saving now, in tax-advantaged accounts, in low-cost index funds.
- Increase your savings rate over time as your income grows.
- Build passive income streams — rental properties, dividends, royalties — that do not require your presence to function.
- Do not depend on Social Security as a primary income source; treat it as a supplement.
- Use Roth accounts aggressively, and convert traditional IRA balances to Roth strategically in low-income years.
- Account for inflation in every projection.
- Plan for healthcare costs that Medicare alone will not cover.
- Protect your heirs with a will, beneficiary designations, and — if needed — a trust.
- Give generously while you are alive and can see the impact.

Yogi Berra once said: “If you don’t know where you are going, you might wind up someplace else.”

Retirement is somewhere else. Plan to get there on purpose.

The Machine Is Running

What Financial Freedom Actually Looks Like

> *"Well done, good and faithful servant! You have been faithful with a few things; I will put you in charge of many things."*
>
> — Matthew 25:23

I want to tell you what a Tuesday morning looks like when the machine is running.

My alarm does not go off. I wake when I am rested. I grab some coffee, sit with my Bible for a while, and pray. My phone does not contain any unanswered texts from an employer wondering where I am. There is no commute. There is no boss.

Overnight, while I slept, six families paid their rent into accounts I will review later this morning. A small dividend from a high-yield ETF was deposited into my brokerage account and automatically reinvested. The S&P 500 index fund that my daughter's Roth IRA holds grew by a fraction of a percent — a fraction that, compounded over the next forty years, is worth more than most people earn in a lifetime of work.

I will teach a Taekwondo class this evening at my church. Not because I have to. Because I want to. That distinction — between what you must do and what you choose to do — is the entire point of everything we have covered in these pages.

What You Have Built

If you have worked through this book honestly — not just read it, but done the exercises, made the calculations, opened the accounts, and begun the disciplines — you have built something real. Let me name what it is.

You have built a foundation. An emergency fund that converts catastrophes into inconveniences. A zero-balance relationship with high-interest debt, or at least a clear and executable plan to reach one. A budget that reflects your values rather than your impulses. A net worth number — whatever it is — that you know precisely.

You have built a compound interest machine. A Roth IRA with automated monthly contributions flowing into a low-cost index fund. Dollar-cost averaging happening automatically, whether the market is up or down, whether you are paying attention or not. A machine that works in the background, relentlessly and without complaint, regardless of what else is happening in your life.

You have built tax intelligence. You understand that the IRS tax code is not primarily a system of obligations — it is a road map of incentives. You know the difference between ordinary income taxed at thirty-seven percent and long-term capital gains taxed at fifteen, or even zero. You know what depreciation does for a rental property owner, what a 1031 Exchange can accomplish, and why a Roth account is one of the most powerful wealth-building tools ever written into law.

You have built a retirement with a plan — not a hope. You know your target number, you know your withdrawal rate, you know the Social Security calculation and what it will and will not cover, and you know the specific pitfalls — sequence of returns risk, RMD exposure, IRMAA surcharges — that derail retirement plans that look perfectly adequate on paper.

And if you have moved into real estate, you have built a passive income stream — perhaps just the beginning of one — that is doing something no paycheck can do: generating money while you sleep, appreciating in value while a tenant pays down your debt, and sheltering its income from taxation through depreciation that the stock market cannot match.

That is what you have built. Not an empire. A machine. And machines, properly maintained, run indefinitely.

The Gap Between Knowledge and Wealth

Here is the one thing I most want you to understand as you close this book, because it is the place where almost every promising financial journey ends prematurely:

The gap between where you are and where you want to be is not filled by knowledge. It is filled by action, taken repeatedly, over time.

You now know more about personal finance than the majority of Americans will ever know. You understand compound interest, tax-advantaged accounts, index fund investing, passive income, and retirement sequencing at a level that most people never reach. That knowledge has real value. But it has no value whatsoever until it changes what you do.

Napoleon Hill wrote it in 1937 and it has been true ever since: knowledge is only potential power. It becomes power only through application. The person who reads this book and opens a Roth IRA this week is further ahead than the person who reads every personal finance book ever written and never opens one.

Do not wait until you understand everything. Act now on what you understand today, and let the understanding deepen as you go.

The Disciplines That Never Stop

Financial freedom is not a destination you arrive at and then abandon the practices that got you there. The habits that build wealth are the same habits that maintain it. Let me remind you of the ones that matter most.

Pay yourself first. Before discretionary spending has a chance to consume your surplus, automate a transfer to savings and investment. This is the oldest financial instruction in any text I know of — Proverbs 6's instruction to study the ant — and it is still the most reliable.

Stay invested. The most dangerous thing you can do in a volatile market is leave it. Hartford Funds research showed that missing just the ten best trading days over a thirty-year period cut final returns by more than half. The best days and the worst days cluster together. Stay in. Do nothing. The machine will recover. It has always recovered.

Keep learning. Charlie Munger said he had never met a truly wise person who did not read constantly. Warren Buffett reportedly devotes eighty percent of his working day to reading. The correlation between intellectual investment and financial outcome is not coincidental.

Give generously. This may seem like an odd instruction in a chapter about building wealth, but I include it deliberately, because it is foundational to the right relationship with money. Luke 12:34 says where your treasure is, there your heart will be also. Giving breaks the psychological grip of accumulation. It reorients money from something you cling to into something you deploy.

Money, Happiness, and the Science of Giving

Harvard professor and social scientist Arthur Brooks has spent decades studying the intersection of money and happiness. His research identifies five things people can do with money — buy stuff, buy experiences, buy time, give it away, or save it. Four of them reliably increase happiness. One does not.

Buying stuff. Our brains are wired to pursue material possessions as a signal of status and success — an evolutionary holdover from when visible wealth signaled dominance in the hierarchy. The problem is that it doesn't work. Stuff is forgotten. Experiences are not. Brooks and his wife debated spending their anniversary money on a beach vacation versus a couch. The couch won on logic; the beach won the argument. Decades later, he remembers every detail of the beach and nothing about the couch.

Buying experiences. Experiences with people you love produce what Brooks calls permanent memories. The neuroscience is clear: we reconstruct experiential memories repeatedly over time, and each reconstruction re-frames the current context of our lives. A dollar spent on a meaningful experience at 55 produces more total return — in memory dividends — than the same dollar spent on a possession that depreciates the moment it is purchased.

Buying time. Delegating tasks you dislike — lawn care, house cleaning, anything that consumes hours you would rather spend differently — is one of the most efficient happiness purchases available.

The condition: use the recovered time on something meaningful, not on Instagram.

Giving it away. This is the one that surprises people most. Brooks' research, going back 25 years, consistently shows that people who give more money away get richer. For every dollar given to charity, approximately $1.60 returns in subsequent years — not through any mystical mechanism, but because giving trains the mind toward problem-solving, generosity, and effectiveness. People who give are perceived as more trustworthy, more attractive, and more capable. They earn more. The book of Proverbs arrived at the same conclusion three thousand years earlier: "one person gives freely, yet gains even more." (Proverbs 11:24)

Saving it. Every dollar saved buys happiness through the progress principle. Human beings are wired not for arrival at goals but for movement toward them. Watching a savings balance grow, paying down a debt, moving incrementally toward financial freedom — each of these activates the dopamine pathways in ways that consumption never can. Progress is its own reward. Regress — debt, overspending, moving backward — is its own punishment.

Brooks' research also confirms what this book has argued from the beginning: debt is not merely a financial burden. It is a psychological one. Student debt lowers life satisfaction. Car debt tanks it. Credit card debt, in Brooks' words, is "catastrophic for life satisfaction." The math argument for staying in debt — "I can earn more investing than I pay in interest" — misses the point entirely. You cannot run a foot race well while carrying an enormous backpack. Financial freedom is not just an economic calculation. It is the removal of a weight you may not even know you are carrying until it is gone.

Protect your family. Insurance, estate documents, beneficiary designations — these are the infrastructure of financial responsibility. Your will, your healthcare directive, your power of attorney, your Transfer on Death deed — these are the final act of stewardship, ensuring that what you have built serves the people you love, on your terms, with minimum friction and maximum tax efficiency.

The Two Numbers That Define Your Financial Life

Among all the formulas and figures in this book, two numbers define the shape of your financial life more than any others.

The first is the date you start. Every month of delay compounds into thousands of dollars of foregone wealth. Every month of action compounds in the other direction. The person who begins at twenty-two and saves modestly will almost always outperform the person who begins at forty-two and saves aggressively. Time is the one resource that cannot be purchased, borrowed, or recovered. Use it.

The second is the gap between your income and your spending. Wealth is not primarily a function of how much you earn. It is a function of how much of what you earn you keep, invest, and allow to compound. The millionaires documented in Thomas *Stanley's The Millionaire Next Door* were not, on average, high earners. They were people who lived below their means, consistently and deliberately, for decades. The gap between income and spending is the raw material of financial freedom. Make it as wide as you can.

On Leaving Something Behind

I want to end where this book's deeper purpose begins — not with balance sheets and withdrawal rates, but with the question of legacy.

Proverbs 13:22 says a good man leaves an inheritance to his children's children. Not merely to his children — to his grandchildren. That is a multi-generational vision of stewardship, and it stands in direct contrast to the pattern most American families are living: each generation starting from scratch, or worse, starting from behind.

The inheritance you leave is not only money. It is the wisdom, the example, and the structure. A child who grows up watching their parent invest deliberately, give generously, avoid debt, and speak about money with clarity and purpose has received something more valuable than any dollar amount. They have received a model — and models, more than instructions, shape the financial behavior of the next generation.

But the financial inheritance matters too. A paid-off rental property, passed to your heirs with a stepped-up cost basis. A Roth IRA with decades of tax-free compounding. An index fund that has quietly doubled every seven years for thirty years and now represents something extraordinary — wealth created from patience, not luck.

These are achievable. Not for a handful of exceptional people. For ordinary people — people exactly like you — who understood a few principles well enough to act on them consistently, over years, without stopping.

> ***The goal is not to die rich. The goal is to live free, give generously, and leave something behind that outlasts you.***

Ordinary People, Extraordinary Machines: Real Stories of Financial Freedom

The principles in this book are not theory. They are being lived out right now by people who started with nothing — or less than nothing — and built something worth leaving behind. Here is what their stories have in common.

They had powerful reasons. Every person who achieved financial freedom could tell you exactly why they were doing it. One couple paid off $50,000 in debt in two years — no eating out, no vacations, no gifts for two Christmases — because they had written down their short-term, intermediate, and long-term dreams and committed to a specific plan. Another man, seeing his first child born into debt, resolved that his second would not be. The reason preceded everything else. Without it, the sacrifice is just deprivation. With it, the sacrifice is a down payment on freedom.

They started from genuine hardship. One grew up in a trailer home in Minnesota, remembering what it felt like when his parents couldn't pay the heating bill. Another was sent to an orphanage in Taiwan because his family couldn't afford to feed him. One worked at McDonald's for $4.25 an hour as a teenager because his parents gave him nothing. The most common thing these individuals said about their early poverty was not that it held them back — it was that it gave them a relationship with money that most people who grew up comfortably never develop.

They saved at rates that hurt. "If the amount of money you're saving each month doesn't hurt, you're not saving enough." One couple reached a 70 to 80 percent savings rate in their final years before financial independence. Another sold his house, sold his car, rented a room in someone else's home, and replaced the car with a bicycle — because every dollar needed to go toward debt elimination first. They did not wait until it was convenient. They made it work with what they had.

They invested simply and consistently. Not one of them credited a brilliant stock pick or a perfectly timed market entry. The most common portfolio description was also the simplest: index funds, zero management, nothing to pay attention to. One described a diversified mix of index funds, real estate, and low-risk assets. Another said he invested in his 401(k) and a Roth IRA throughout his corporate years and let compounding do the rest. The complexity came in the earning and saving. The investing itself was deliberate and boring, exactly as it should be.

They thought generationally. Nearly every person in these stories spoke about their children before they spoke about themselves. Roth IRAs opened for teenagers. Custodial accounts and 529s funded before the children knew they existed. Children brought along to maintain rental properties so they would understand where money comes from and what work looks like. A "mommy and daddy bank" paying interest on a 10-year-old's savings so he could experience compounding before he knew the word for it. The goal, said one father simply, is that "my children do better than me." That is not ambition. That is stewardship.

They redefined what freedom looks like. One achieved financial independence at 34 and became a stay-at-home father. Another describes her current life as a "momreneur," building a business entirely around being present for her children. A third said he used to work from 8 a.m. to 8 p.m. and now cannot imagine that life. None of them described freedom as a number on a spreadsheet. They described it as showing up to their children's events without fear, coaching Little League, being present. "If you're able as a parent to go to any event freely without worrying about getting fired," said one, "that is financial freedom. That is millionaire status."

These are ordinary people. They did not inherit wealth, win the lottery, or invent an app. They made a decision — one clear, early, painful decision — to live differently than the culture around them for long enough that the math took over. The machine does not build itself. But as their stories confirm, it is not complicated to build. And once it is running, it runs for a very long time.

These stories were taken from a Business Insider YouTube interview titled "Money Lessons from Parents Saving Millions for their Children."

One Final Instruction

In the first chapter of this book, I described sitting in a Chicago cubicle in 1998 with one hundred dollars to my name, and the quiet conviction that there was more. There was. But the more did not arrive through a windfall or a lucky break. It arrived one deliberate decision at a time, over more than twenty years, built on principles that were available to anyone who bothered to learn them.

You have now learned them.

What comes next is yours to decide. The machine does not build itself. But it is not complicated to build, and once it is running, it runs for a very long time.

Warren Buffett said it simply and finally, and I have been returning to it ever since:

> ***If you don't find a way to make money while you sleep, you will work until you die.***

That is not a threat. It is an invitation. The question — the only remaining question — is whether you will accept it.

The best time to start was twenty years ago.

The second best time is today.

Go build the machine.