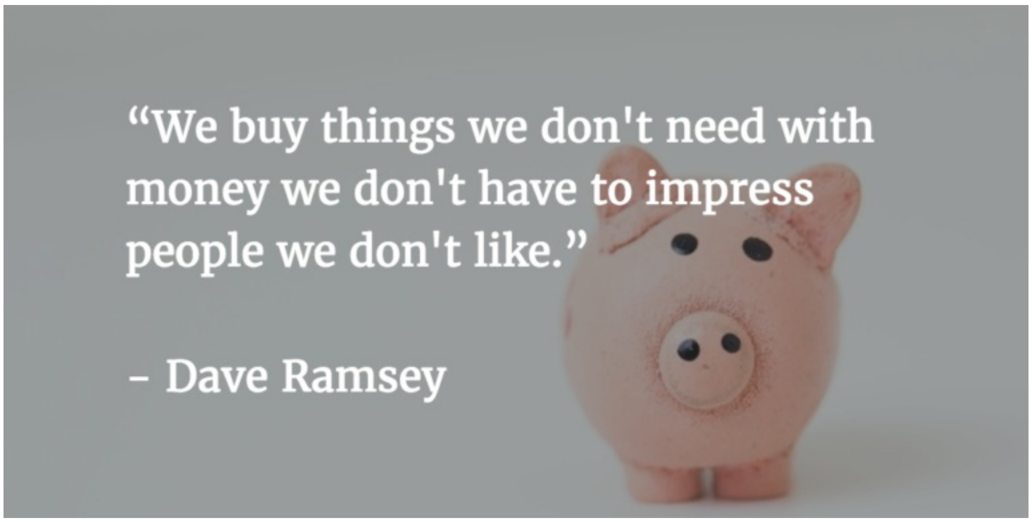
The Total Money Makeover Summary

fourminutebooks.com/the-total-money-makeover-summary

1-Sentence-Summary: *The Total Money Makeover shows you how to stop accepting debt as normal, eliminate it forever in small increments, and build the financial future you deserve in seven steps.*

Read in: 4 minutes

Favorite quote from the author:



There are tons of books out there that supposedly teach you how to become a millionaire. While some of this advice works, and some doesn't, most of us dream about making millions when our bank account balance isn't even at zero yet – it's negative.

I hate to be the one to say it, but chances are you're being irresponsible about money, *right now.* I've been there. Growing up I never had to work a day in my life. I could always get what I want – most of the time, anyway – and if I just saved a bit of my birthday money, I could usually buy that new Xbox or laptop within a matter of months.

But if you're serious about building a happy and truly fulfilling life, it can't go on like this forever. Lucky for you and me, Dave Ramsey's here to save the day. *The Total Money Makeover* is the most popular personal finance book of all time. It has sold over 5 million copies since its publication in 2003.

To get you started on your own journey towards financial fitness, here are the first 3 steps you have to take:

1. Put away $1,000 in an emergency fund.
2. Start paying down your debts, beginning with the smallest.
3. Grow your emergency fund until you have a three-month buffer at least.

Ready to start your total money makeover? Time to take the first steps!

Lesson 1: Save $1,000 in an emergency fund.

If you crashed your car right now, could you even pay the mechanic in cash? I'm serious. Most people can't. They'd have to use their credit card. If you think that's bad, consider you or your child suddenly gets sick and racks up a $1,000 hospital bill.

Ouch! According to Money Magazine, 78% of us will experience a major bad event in any given 10-year period of our lives. That's why Dave Ramsey's first step to getting on top of your finances is to **save $1,000 and put it away in an emergency fund**.

More importantly, even, this teaches you two things:

1. It's okay to tackle your finances step by step. You can't start with all of your debt, investments, and savings at once, and that's fine.
2. It gives you the confidence that you can indeed save money and helps you approach the next step without fretting.

Of course, $1,000 doesn't cover all that much, but it's a great start and will make you less likely to take on more debt.

Lesson 2: Start a debt snowball, beginning with your smallest debt.

The next step is to start what Ramsey calls a debt snowball. If you form a small snowball and roll it down a hill, it'll pick up more snow and thus more speed, quickly growing into a huge and powerful snow boulder.

When you pay off your debt, you can use that same effect to your advantage. **List all of your debts and order them by size, starting with the smallest**. Then pay off the first one. Yup, even if it's just the outstanding $10 for your phone bill or some money you owe a friend.

The smaller you start, the better. Each crossed off debt that disappears off your list gives you the confidence you need to take on the next, bigger thing until only your gigantic mortgage is left – but by then you'll long have what it takes to get rid of it once and for all.

Personal tip: I'm not sure if this is Ramsey's approach here, but I'd start with taking 10% of my income to pay down debt. No matter how much or how little you earn, you can (hopefully) take 10% away from it without losing any essential financial capability (like being able to pay your rent).

Lesson 3: Grow your emergency fund until it covers your expenses for at least three months.

If your boss fired you tomorrow, could you pay for rent and food for the next six months? No? Maybe three? No? Then I hope your alarm bells start ringing right now.

The worst financial setbacks are always the ones that creep up on us without us even realizing it, and **just knowing you can survive for half a year no matter what is a massive, comfortable cushion**. Ramsey suggests turning your attention to your emergency fund again, as soon as you've started paying off your debts and growing it until you have at least 3 months of living expenses in it.

For most individuals and families, this number lies somewhere between $5,000 and $25,000 and isn't fixed. But if your household earns $3,000/month, you should save at least $10,000 or more.

Personal tip: Because keeping debt is more expensive than not having the money you save to spend, I'd initially spend more towards paying down debt and less on savings, for example, 10% on reducing debt (as mentioned above) and another 5% of your income can go into growing your emergency fund.

The Total Money Makeover Review

Debt is *always* your worst expense. Even if it's not the biggest absolute dollar amount you pay each month, it is your worst expense because it grows over time. With every percentage point in interest, you owe more money with each passing day.

I thought about just listing the first step and two other things here because I'd rather you get on putting away $1,000 than looking at these first three steps and thinking it's too much work. But then I thought this way it'd be more valuable for those who can or already have $1,000 in cash saved up.

I've spent all of last year working on building up my emergency fund and now have a solid 12-month buffer. The money I save from now on will go into growing my investments and hopefully making a solid, bigger investment sooner rather than later.

The biggest advantage you can have in building wealth is starting. With *The Total Money Makeover*, Dave Ramsey has delivered the perfect blueprint to doing just that. Great summary with all seven steps, read it, get going, then use the book to take care of the finer details!

Read full summary on Blinkist

Get the book on Amazon

Learn more about the author

What else can you learn from the blinks?

- Why you're not as financially secure as you might think you are

- Which kind of debt forces 69% of all people who file for bankruptcy to take that step
- Step 4: What to invest in
- Step 5: Should your kid go to college? If so, how can you pay for it without debt?
- Step 6: Kicking your mortgage in the butt
- Step 7: How to spend and give away the extra money you've earned so ambitiously

Who would I recommend The Total Money Makeover summary to?

The 18 year old, who can still make a choice about college and opt to not do it, if it means taking on a lot of debt, the 35 year old with a $70,000 per year income, who somehow never has any money left to go on vacation, and anyone who doesn't have three months of expenses saved up.