Broke Millennial Summary

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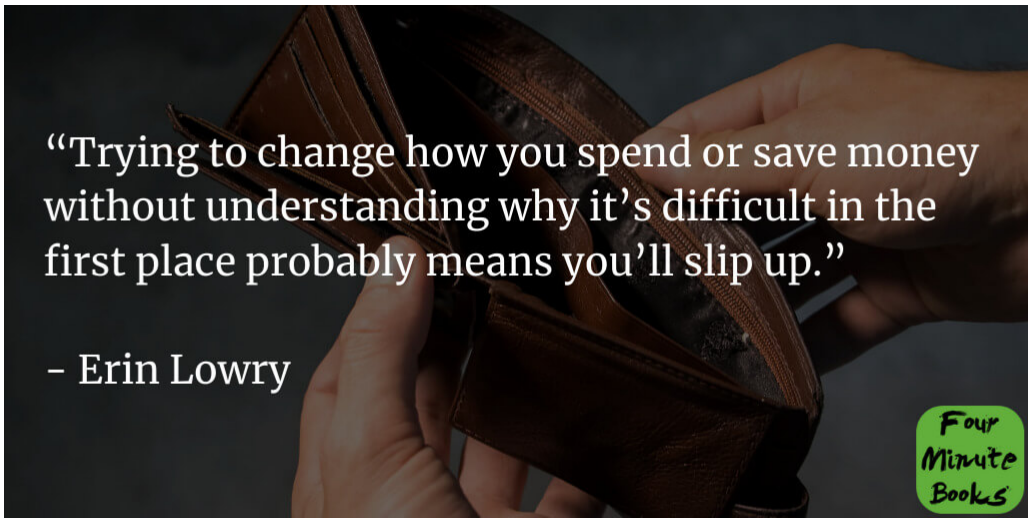
1-Sentence-Summary: *Broke Millennial shows those in their twenties and thirties how to manage their finances so that they can stop scraping by and instead begin to live more confidently when it comes to money.*

Read in: 4 minutes

Favorite quote from the author:



Many of us feel like we've got a pretty good grasp on how to manage our expenses. But if you're a brand new college graduate and broke, this aspect of adulthood might be more than a little intimidating.

And even if you don't fit into this category you might find yourself making some bad money decisions without even knowing it.

Let's face it, paying bills is difficult as it is. But when financial advisors start talking about an emergency fund and retirement it gets overwhelming pretty fast. How are you supposed to think ahead when you can barely get enough cash for rent?

The good news is that it's not your fault and that you don't have to stay broke forever. You just never learned the *right* money lessons. And it all begins with just a few simple changes to your outlook and habits.

These principles and more are what Erin Lowry covers in her book *Broke Millennial: Stop Scraping by and Get Your Financial Life Together*. She will help you go from knowing little about managing money to having the confidence that you can fund the life of your dreams.

Here are 3 of the best lessons I got out of this book:

1. Check your lifelong relationship with money to find the roadblocks in your way of managing it well.
2. Use percentages to calculate how much you need to live and how much you can save.
3. Don't cut your credit cards, they are a valuable tool to build an important track record that you'll need to make bigger purchases.

Are you ready to get your financial act together? Let's get into it and learn how!

Lesson 1: You'll find the roadblocks holding you back from managing money well when you look at your first experiences with it.

You don't have to be a NASA engineer to understand how to budget. The principles of budgeting and saving are pretty simple, after all. But why is it so difficult then?

We all hear the common health advice of "eat less, exercise more" when trying to lose weight. But putting it into practice is actually easier said than done. Your impulses tend to be difficult to resist, whether it's overeating or overspending.

Stop trying to follow surface-level advice and instead focus on getting clear about why you struggle with money. To do this, you need to look at your past.

It all began years ago with your very first experiences with money. You might struggle to remember financial events in your childhood, but that's right where you'll find the deeper problems that make managing cash difficult for you.

Think about how your parents handled or talked about money. Did they openly discuss their earnings and spendings? Or was the subject off-limits?

Whatever it was, digging up those old memories will help you see what stands in your way of financial confidence. Start by journaling about the following questions:

- What does your first memory of money make you feel?
- Which ways did you get money as a kid?
- What purchases did you make?
- How did the adults around you talk about money?
- What financial worries do you have today?

Lesson 2: Budgeting can be as simple as finding fixed costs and setting percentages for that and other categories of expenses.

It might seem like your spending goes into many categories that are difficult to organize. But if you break it down, there are three things that your money generally goes to:

- Fixed costs, such as rent, which should make up 50% of your expenses.
- Financial goals, like saving for a new car. Aim for 20% of your budget for these.
- Flexible spending on everyday things, like food, which makes up the last 30% of your spending.

This is the ideal, but you can modify it for your circumstances. **Reaching this breakdown should always be your goal, however.** You'll need to readjust as you get raises, for example.

Whatever way you do it, make sure that your breakdown is reasonable. Don't put 60% of your earnings toward flexible expenses, for instance!

To see this in practice, let's say you live in New York and make $32,000 per year after taxes and automatic savings. That comes out to roughly $2,667 per month.

Rent, utilities, and transportation together cost $1,350 a month. If you've got a monthly student loan payment of $250, that's $1,600 a month for fixed costs, or about 60%.

With a little over $1,000 left, it's difficult to set 20%, or $500, aside each month for savings. Instead, you'd try for something like $200 to start and then work your way up as you get raises.

Lesson 3: You need to get credit cards and pay them off every month if you want to make big purchases like a house.

Having the seemingly endless supply of money that comes from having a credit card sounds nice, but it can be really dangerous. There are a lot of pitfalls to be aware of. But if you want your financial resume to be complete, you've got to get them.

That's because of what's known as a credit score. This is a track record of how well you've managed debt throughout your life. It's also what lenders go by whenever you want to borrow money for a car or house.

When I turned 21 I got my first credit card. I promised myself that I would never make purchases more than what I could pay off in a month and that I would pay it off entirely every month.

I've been doing that for over a decade now, and my credit score is over 800. Almost every time I apply for a new line of credit the person helping me out is surprised at how high my limits are!

Make that same promise to yourself that you'll only spend what you can pay off within a month and that you'll pay the credit card off completely every month. Doing so will keep you from getting into crushing debt and prepare you to buy anything!

Broke Millennial Review

I have to be honest, the advice from *Broke Millennial* seems very basic. These are pretty introductory-level financial tips and, although it mentions financial freedom, they won't really get you there. At best these lessons can keep you from staying broke, but they certainly aren't going to make you rich.

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Who would I recommend the Broke Millennial summary to?

The 18-year-old that wants a good review of their high school financial literacy class, the 49-year-old that's bad with money but doesn't realize it comes from a dysfunctional belief about it that they've had since childhood, and anyone that would like a simple explanation of the most basic money-management advice.